



Chicago and Alton Depot



*City of
Independence, Missouri
Historic City of the Trails*



Beckett Park



1827 Log Courthouse

*June 30,
2003
Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI

Comprehensive Annual Financial Report



June 30, 2003

CITY OF INDEPENDENCE, MISSOURI

Comprehensive Annual Financial Report

Fiscal Year July 1, 2002
through June 30, 2003

Mayor

Rondell F. Stewart

City Council

Don Reimal	District #1
John Perkins	District #2
Renee Paluka	District #3
Charlie Rich	District #4
Jason White	At-large
Jim Schultz	At-large

City Manager

Larry N. Blick

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration

CITY OF INDEPENDENCE, MISSOURI

Table of Contents

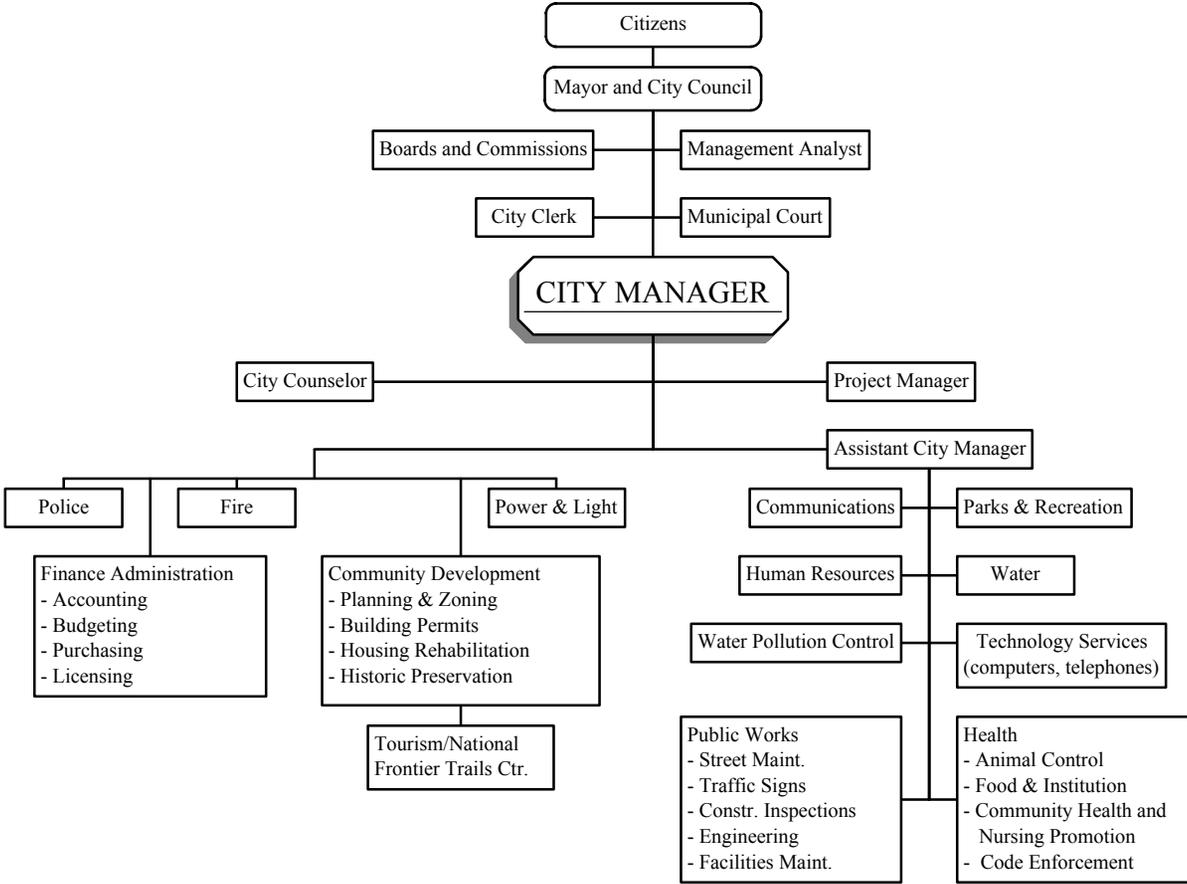
		Page
Introductory Section:		
Organizational Chart	1	
Letter of Transmittal	2-5	
GFOA Certificate of Achievement	6	
Financial Section:		
Independent Auditors' Report		7-8
Management's Discussion and Analysis		9-19
	Exhibit	
Basic Financial Statements:		
Government-wide		
Statement of Net Assets	1	20
Statement of Activities	2	21
Fund Financial Statements		
Governmental Funds:		
Balance Sheet	3	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	3.1	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	4.1	25
Proprietary Funds:		
Balance Sheet	5	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets	6	27
Statement of Cash Flows	7	28
Fiduciary Funds:		
Statement of Fiduciary Net Assets	8	29
Statement of Changes in Fiduciary Net Assets	9	30
Notes to Financial Statements		31-58
Required Supplementary Information		
Budgetary Comparison Schedule – General Fund	10	59-61
Schedule of Funding Progress and Employer Contributions – Retirement Plan	11	62

	Exhibit	Page
Supplementary Information		
Combining Balance Sheet – Nonmajor Governmental Funds	12	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	13	66
Combining Balance Sheet – Nonmajor Special Revenue Funds	14	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	15	68
Budgetary Comparison Schedule – Tourism Fund	16	69
Budgetary Basis Reconciliation Schedule – Tourism Fund	16.1	70
Combining Balance Sheet – Nonmajor Capital Projects Funds	17	71
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Nonmajor Capital Projects Funds	18	72
Subcombining Balance Sheet – Nonmajor TIF Funds	19	73
Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Nonmajor TIF Funds	20	74
Combining Statement of Net Assets – Internal Service Funds	21	76
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	22	77
Combining Statement of Cash Flows – Internal Service Funds	23	78
Combining Statement of Fiduciary Net Assets	24	79
Statement of Changes in Fiduciary Net Assets	25	80
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	26	81
Schedules of Operating Expenses – Power and Light Fund	27	82-83
Schedule of Operating Statistics – Power and Light Fund	28	84
Schedules of Operating Expenses – Water Fund	29	85-86
Schedule of Operating Statistics – Water Fund	30	87
Schedule of Operating Statistics – Sanitary Sewer Fund	31	88

	Table	Page
Statistical Data (Unaudited):		
General Governmental Expenditures by Function	1	89
General Governmental Revenue by Source	2	90
General Governmental Tax Revenues by Source	2A	91
General Fund, Public Health and Recreation, Debt Service – Property Tax Levies and Collections	3	92
Assessed and Estimated Actual Values of Taxable Property	4	93
Property Tax Rates – All Direct and Overlapping Governments	5	94
Special Assessment Collections	6	95
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	96
Computation of Legal Debt Margin	8	97
Computation of Direct and Overlapping Debt	9	98
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	10	99

	Table	Page
Revenue Bond Coverage:		
Power and Light Revenue Bonds	11	100
Water Revenue Bonds	12	101
Sanitary Sewer Revenue Bonds	13	102
Demographic Statistics	14	103
Construction Permits	15	104
Principal Property Taxpayers	16	105
Miscellaneous Statistical Data	17	106
Schedule of Insurance	18	107-108

City of Independence, Missouri Organizational Chart



City of Independence

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www.ci.independence.mo.us • (816) 325-7000

November 1, 2003



Honorable Mayor, Members of the City Council, and Citizens of the City of Independence, Missouri:

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2003. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

The responsibility for accuracy, completeness and fairness of the data presented, including all disclosures, rests with the City. I believe the report as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of the City, on a Government-wide and Fund basis. It is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

This report was prepared by the City's Finance Department staff in accordance with general accepted accounting principles (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting in the United States. This report is intended to provide sufficient information to permit the assessment of stewardship and accountability and to demonstrate legal compliance.

The City of Independence's financial statements, as required by the Charter, have been audited by KPMG LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Independence was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the City of Independence's separately issued Single Audit Report.

This report reflects the changes required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. The format and a description of these reports are addressed in the Management's Discussion and Analysis (MD&A) and in the notes to the financial statements.



AN EQUAL OPPORTUNITY EMPLOYER • A COMMUNITY IN EASTERN JACKSON COUNTY



The CAFR is presented in three sections: introductory, financial and statistical. The *introductory section* is designed to introduce the reader to the report and includes this transmittal letter, the City's organizational chart, a list of principal officials, and the GFOA (Government Financial Officers Association) Certificate of Achievement for Excellence in Financial Reporting for the 2002 CAFR.

The *financial section* begins with the independent auditors' report. The Auditors' report discloses the opinion of the independent auditors with regard to the presentation of the financial statements and internal controls. This section also includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statement for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.

The *statistical section* includes selected financial and demographic information, generally presented on a multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting schedules presented in the financial section.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis the (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Independence's MD&A can be found immediately following the report of the independent auditor.

In evaluating the City as a reporting entity, management has considered all potential component units. Determination of whether an entity is controlled by, or dependent on, the City is made on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, or the City's obligation to fund any deficit that may occur. As required by accounting principals generally accepted in the United States of America, the City has included the Tax Increment Financing (TIF) activities in its financial statements as a blended component unit.

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 114,345. The City of Independence was presented the All American City award for 2001 by the National Civic League. *Working Woman* magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers.

Its central location in the "Heart of America" offers residents and businesses unique location advantages and means that traveling, shipping, receiving and communications are more economical because of shorter distances to most parts of the country. Situated along major highways (I-70, I-35, & I-29) and rail routes, access to Independence from all parts of the nation, as well as, Canada and Mexico is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 32 square miles of mixed-use land in eastern Independence.

The City of Independence is home to Lake City Army Ammunition Plant, the largest small arms manufacturing plant in the world. Lake City is the largest employer in Independence and has added more than 1,000 jobs in the last two years.

The City of Independence provides a comprehensive range of municipal services normally associated with a municipality, including police and fire protection, public works services, public health services, parks and recreation facilities, general administrative services and a history museum. The City also provides electric, water, and sanitary sewer services, all of which are accounted for in the financial statements as business-type funds.

The City of Independence is organized, as a constitutional charter city under the Missouri statutes utilizing the Council-Manager form of government. In accordance with the charter, the registered voters within the City elect a mayor and six council members to serve four-year terms as representatives on the City Council. An election for four districts is conducted as a unit, while elections for mayor and two at-large seats are conducted two years later. The Council appoints a City Manager to serve as the chief administrative officer of the City.

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded.

In addition to the independent audit and the internal control system, the Charter provides that the Council appoints a Management Analyst. The Management Analyst performs such duties as directed by the Council. These duties include the periodic review of all departments and the preparation of an annual report to the Council.

The Audit and Finance Committee, comprised of three members of the Council, acts in an advisory capacity to the Council and reviews financial information for appropriateness, reliability, clarity, timeliness and compliance with generally accepted accounting principles and legal requirements. In addition, this committee reviews the audit functions and adequacy of internal control systems.

The annual budget serves as the foundation for the City of Independence's financial planning and control. The appropriated budget is prepared by fund, function (e.g. public safety), and department (police). Department heads may make transfers of appropriations within their department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons for the General and Tourism Funds, which are required for each individual governmental fund for which an appropriated annual budget has been adopted, are included in this report.

Purchase orders and contracts are encumbered prior to their release to vendors. Any items, which would result in expenditures in excess of departmental budgets, are not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2003, are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

Factors Affecting Financial Condition

Local economy. The City of Independence has felt the impact of the recent economic slow-down. However, the City is experiencing growth on the eastern side of town. A new highway interchange and arterial street have made the City of Independence I-70/Little Blue Parkway the Pro-Business Corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The I-70/Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area.

Long-term financial planning. The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The fiscal year 2003-2004 budget includes projects totaling an estimated \$26.2

million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales tax.

The CIP includes funding from closed out Tax Increment Financing projects. In fiscal year 2003-2004, \$1.3 million will be used to fund the construction of a fire station, a Transit Center and several street improvements.

Cash management policies and practices. The Finance Department strives to keep abreast of current trends and procedures for cash management and forecasting to ensure the most efficient and profitable use of the City's cash resources. While efforts are made to maximize the return on the City's investment dollar, the primary concern is to always assure the return on principal. To maximize investment earnings, the City consolidates cash balances of all funds except for certain restricted funds. Idle cash during the year was invested in U.S. agencies and certificates of deposit. Since falling interest rates have negatively impacted the City, the maturities of the investments range from 16 days to one year. The average yield on investments was 1.50 percent.

Risk management. During the fiscal year, the City renewed all major insurance policies (property, boiler and machinery, general liability, automobile liability, public official's liability and law enforcement liability.) Significant attention is being given to cost control in the area of health insurance.

Awards and Acknowledgements

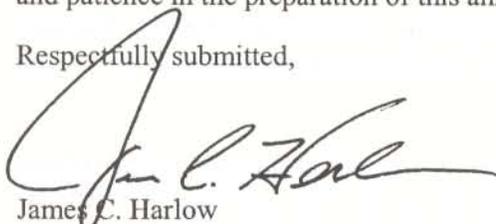
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2002. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated services of several members of the Finance Department. I would like to thank the firm of KPMG LLP for their assistance and patience in the preparation of this annual report.

Respectfully submitted,



James C. Harlow
Director of Finance and Administration

CITY OF INDEPENDENCE, MISSOURI

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



1000 Walnut, Suite 1600
P.O. Box 13127
Kansas City, MO 64106

Independent Auditors' Report

The Honorable Mayor and Members
of the City Council
City of Independence, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri (the City) as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress and employer contributions on pages 9 through 19 and 59 through 62, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Independence's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report, dated August 26, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

August 26, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Independence's annual finance report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

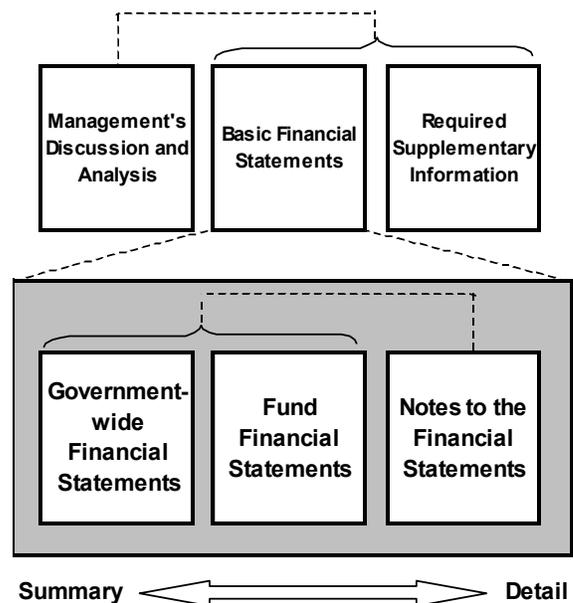
- The City's total net assets increased over \$15.3 million. Of this amount, \$8.1 million or 53% was from the City's 'governmental-type activities' and the balance was from 'business activities.'
- As with other entities, the recent economic slowdown has affected the City's revenues. Growth in sales tax revenue was almost nonexistent.
- The cost increases for employee health insurance has had an impact on our cost of operations.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- The City is directing incremental revenues (\$1.3 million) from closed-out tax increment financing projects to finance capital projects.
- The outstanding electric revenue bonds were refinanced saving several thousand dollars in debt service.
- The Streets and Parks sales taxes were extended in August 2002. The Parks sales tax was renewed for an additional 10 years and an additional 1/8-cent was approved without a sunset provision.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts, management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

**Figure MD-1
Required Components of City of Independence's
Annual Financial Report**



- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the electric, water, and sanitary sewer systems.
- Fiduciary fund statements provide information about the financial relationship for which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that provide additional explanatory information to the financial statements. The statements are followed by a section of ‘required supplementary information’ that further explains and supports the information in the financial statements. Figure MD-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our ‘non-major governmental funds’ and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure MD-2 summarizes the components of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and content of each of the statements.

Figure MD-2				
Major Features of the City of Independence's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: electric, water, and sanitary sewer	Instances in which the City is the trustee or agent for someone else's resources
Required financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets refer to the difference between the City's assets and liabilities and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To further assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City can be divided into two categories:

- **Governmental activities**—Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric, water, and sanitary sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by the City's Charter, State Statutes, and bond covenants.
- The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds**—Business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City has two internal service funds and these are the self-funded health insurance fund and central garage fund.
- Fiduciary funds—Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally, these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following three funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The following table (MD-1) reflects the condensed Statement of Net Assets:

**Table MD-1
City of Independence's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
Current and other assets	\$ 37,378,783	34,901,472	94,350,544	92,892,070	131,729,327	127,793,542
Capital assets	67,814,799	77,888,763	259,863,487	264,008,141	327,678,286	341,896,904
Total assets	105,193,582	112,790,235	354,214,031	356,900,211	459,407,613	469,690,446
Long-term debt outstanding	52,070,593	57,085,602	57,851,614	55,158,436	109,922,207	112,244,038
Other liabilities	20,291,841	14,753,807	14,585,098	12,807,303	34,876,939	27,561,110
Total liabilities	72,362,434	71,839,409	72,436,712	67,965,739	144,799,146	139,805,148
Net assets:						
Invested in capital assets, net of related debt	64,450,833	75,199,757	205,396,875	210,181,962	269,847,708	285,381,719
Restricted	5,523,788	8,932,152	500,000	500,000	6,023,788	9,432,152
Unrestricted	(37,143,473)	(43,181,083)	75,880,444	78,252,510	38,736,971	35,071,427
Total net assets	\$ 32,831,148	40,950,826	281,777,319	288,934,472	314,608,467	329,885,298

The City's combined net assets increased 4.9% to \$329.9 million from \$314.6 million as reflected in Table MD-2. Net assets of the City's governmental activities increased 24.7% to \$41 million. Governmental assets increased \$7.6 million and liabilities decreased \$600,000. The increase in long-term debt of \$5 million is related to tax increment financing (TIF) projects.

The City's unrestricted net assets for governmental activities were (\$43.2) million. (Assets for roads, bridges, and other governmental infrastructure assets acquired prior to fiscal year 2002 are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2002 in future years in response to GASB Statement No. 34.) Total unrestricted net assets were \$35.0 million with the business-type activities being \$78.3 million.

Changes in Net Assets

The following table (MD-2) reflects the revenues and expenses from the City's activities:

Table MD-2
City of Independence's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
Revenues						
Program revenues						
Charges for services	\$ 11,310,461	11,969,571	100,156,039	105,968,428	111,466,500	117,937,999
Federal grants	8,184,732	3,511,707	12,204	-	8,196,936	3,511,707
State/local grants & contributions	7,894,281	6,528,243	1,856,925	847,444	9,751,206	7,375,687
General revenues						
Property taxes	6,020,217	6,104,668	-	-	6,020,217	6,104,668
Sales taxes	33,144,312	34,286,925	-	-	33,144,312	34,286,925
Other taxes	6,576,685	6,750,674	-	-	6,576,685	6,750,674
Interest	782,241	404,173	2,539,975	822,222	3,322,216	1,226,395
Other	1,356,305	535,932	1,297,923	1,526,891	2,654,228	2,062,823
Total revenues	75,269,234	70,091,893	105,863,066	109,164,985	181,132,300	179,256,878
Expenses						
General government	6,840,135	6,846,123	-	-	6,840,135	6,846,123
Public works	6,842,096	6,686,542	-	-	6,842,096	6,686,542
Public safety	31,837,122	33,028,116	-	-	31,837,122	33,028,116
Recreation	3,279,161	3,861,827	-	-	3,279,161	3,861,827
Community development	3,554,250	3,319,609	-	-	3,554,250	3,319,609
Health	2,267,210	2,376,921	-	-	2,267,210	2,376,921
Electric	-	-	60,903,841	65,841,126	60,903,841	65,841,126
Water	-	-	14,581,301	15,297,405	14,581,301	15,297,405
Sanitary sewer	-	-	11,021,666	11,535,324	11,021,666	11,535,324
Storm water	846,628	1,081,513	-	-	846,628	1,081,513
Non Dept/Other	25,247,320	11,149,913	-	-	25,247,320	11,149,913
Interest	2,874,711	2,955,628	-	-	2,874,711	2,955,628
Total expenses	83,588,633	71,306,192	86,506,808	92,673,855	170,095,441	163,980,047
Excess (deficiency) before special item and transfers	(8,319,399)	(1,214,299)	19,356,258	16,491,130	11,036,859	15,276,831
Transfers	8,661,735	9,333,977	(8,661,735)	(9,333,977)	-	-
Increase in net assets	\$ 342,336	8,119,678	10,694,523	7,157,153	11,036,859	15,276,831

Total revenues decreased \$1.8 million and Governmental revenues decreased 6.9% or \$5.2 million. This decrease can be attributed to the reduction in inter-governmental revenues. The ice storm in 2002 and the resulting emergency declaration caused the larger amount in that year. Of significance is the slow-down in the growth of taxes and particularly sales tax. This, however, is a reflection of the general economy.

Total expenses decreased \$6 million and Governmental expenses decreased 14.7% or \$12.3 million. This decrease can be attributed to costs in 2002 associated with the clean-up following the ice storm and costs associated with tax increment financing.

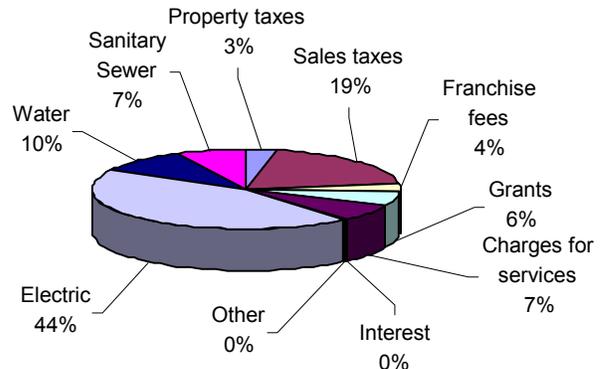
The change in the business-type activities can be described as normal operations some of which is related to the effect of weather on electric and water sales.

Revenues

For the fiscal year ending June 30, 2003 revenues totaled \$179.3 million. Of this amount, charges for services (governmental and business type) was \$117.9 million or 65.8% of the total. Revenue from business-type activities represents 60.9% of the total City revenues (Figure MD-3).

Revenues from governmental activities were \$70.1 million. Sales taxes, the largest governmental category, were \$34.3 million or 48.9%. All taxes represents \$47.1 million or 67.2% of the governmental revenue. Inter-governmental revenues from such sources as grants were \$10 million or 14.3% of the governmental revenues. Charges for services at \$11.9 million were 17% of the total.

Figure MD-3
City of Independence
Sources of Revenue for FY 2003

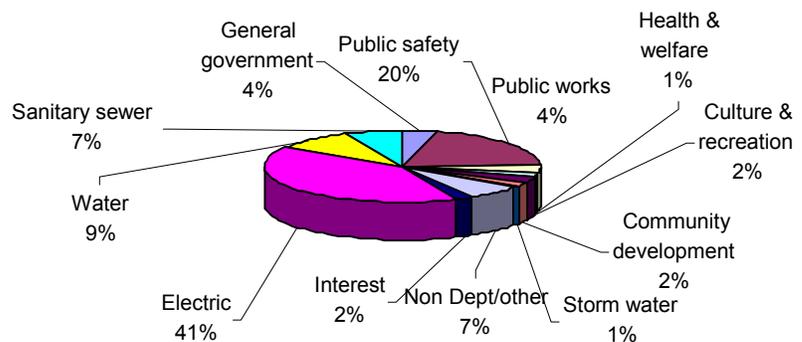


Expenses

For the fiscal year ending June 30, 2003 expenses totaled \$164 million. Of this amount, the electric utility was \$65.8 million or 40.1% of the total. Business-type expenses represents 56.5% of the total City expenses (Figure MD-4).

Expenses from governmental activities were \$71.3 million. Public safety expenses, the largest governmental category, were \$33 million or 46.3% of the total. Nondepartmental, which includes costs associated with tax increment financing projects of \$5.3 million, is the next largest category at \$11.2 million. Excluding the tax increment financing costs nondepartmental is \$5.8 million or 8.1% of the total. General government represents \$6.8 million or 9.5% of the governmental activities.

Figure MD-4
City of Independence
Functional Expenses for FY 2003



Governmental Activities

**Table MD-3
Net Cost of City of Independence's Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
General government	\$ 6,840,135	6,846,123	(3,289,293)	1,782,520
Public works	6,842,096	6,686,542	1,233,027	519,466
Public safety	31,837,122	33,028,116	26,071,716	26,901,394
Recreation	3,276,161	3,861,827	1,188,817	3,333,198
Community development	3,554,250	3,319,609	179,242	(39,863)
Health	2,267,210	2,376,921	1,906,359	1,680,060
Storm water	846,628	1,081,513	807,261	1,028,520
Other	28,122,030	14,105,541	28,102,030	14,091,376
Total	\$ 83,585,632	71,306,192	56,199,159	49,296,671

As previously noted, expenses from governmental activities for fiscal year 2003 were \$71.3 million. However, the net costs of these services were \$49.3 million. The difference represents direct revenues received from charges for services of \$12 million, operating grants of \$8.8 million, and capital grants of \$1.2 million. Taxes and other revenues of \$57.4 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased \$3.3 million or 3.1% and expenses increased \$6.2 million or 7.2%. This change is primarily the result of increased customer consumption caused by weather conditions and also lower interest rates on short-term investments. Fluctuation in weather for both the electric and water utilities impacts both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$26.9 million. The fund balance of the General Fund decreased \$2.1 million during fiscal year 2003. The undesignated portion of the General Fund's fund balance decreased \$1.6 million to \$413,564. This decrease was greater than expected when the budget was prepared and is the result of several of the financial highlights pointed out earlier. These are:

- As with other entities the recent economic slow-down has affected the City's revenues.
- Even with the addition of new businesses we have not been able to achieve any growth in sales tax.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- Revenue from landline telephone service continues to fall.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$7.4 million. These budget amendments generally fall into the following three categories:

- Approval of new grants or the extension of current grants that were not previously included in the approved budget. These adjustments generally also include offsetting revenues.
- Transfer previously approved appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.
- Increase or decrease appropriations for unanticipated events that may arise throughout the fiscal year.

Actual expenditures were \$748,000 less than the amount appropriated. On a percentage basis, this positive variance was distributed evenly between departments.

Resources available for appropriation increased \$5.8 million from the original estimate. Revenues from grants accounted for \$5.2 million of this increase. However, actual revenues at the end of the fiscal year were \$877,000 less than projected. While there were variances in all the categories, the most significant were in sales taxes and utility fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2003, the City had invested \$341.9 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets for roads, bridges, and other governmental infrastructure assets acquired in prior fiscal years are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2002 in future years in response to GASB Statement No. 34. Assets increased \$14.2 million or 4.3% during the period.

Table MD-4
City of Independence's Capital Assets
 (net of depreciation)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2002	2003	2002	2003	2002	2003	2002-2003
Land	\$ 10,830,455	10,922,339	4,959,089	4,959,089	15,789,544	15,881,428	0.6%
Buildings & Improvements	7,872,503	8,614,037	-	-	7,872,503	8,614,037	9.4%
Office furniture & equipment	97,645	61,863	-	-	97,645	61,863	-36.6%
Computer equipment	406,300	314,101	-	-	406,300	314,101	-22.7%
Mobile equipment	5,532,017	5,172,122	-	-	5,532,017	5,172,122	-6.5%
Other equipment	1,087,845	1,035,639	26,014	26,014	1,113,859	1,061,653	-4.7%
Infrastructure	7,451,008	8,760,282	233,427,025	240,564,413	240,878,033	249,324,695	3.5%
Construction in progress	34,537,026	43,008,380	21,451,359	18,458,625	55,988,385	61,467,005	9.8%
Total	\$ 67,814,799	77,888,763	259,863,487	264,008,141	327,678,286	341,896,904	4.3%

The budget for fiscal year 2004 projects the City will spend an additional \$22.8 million for capital projects.

Additional information regarding capital assets can be found in the 'Notes to Financial Statements', section (6), of this report.

Debt Administration

The City, at the end of fiscal year 2003, had a total of \$107.2 million of outstanding obligations. This was a decrease of \$2.7 million or 2.5% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$53.8 million or 50.2% are obligations of the business-type activities. The increase in obligations for the governmental activity funds is for debt issued to finance tax increment financing redevelopment projects, which includes significant commercial development for the City.

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2002	2003	2002	2003	2002	2003	2002-2003
Loans & notes	\$ 47,322,682	49,379,628	575,000	-	47,897,682	49,379,628	3.09%
Revenue bonds	3,125,898	2,922,048	57,276,614	53,826,179	60,402,512	56,748,227	-6.05%
Capital lease obligations	1,622,013	1,086,597	-	-	1,622,013	1,086,597	-33.01%
Total	\$ 52,070,593	53,388,273	57,851,614	53,826,179	109,922,207	107,214,452	-2.46%

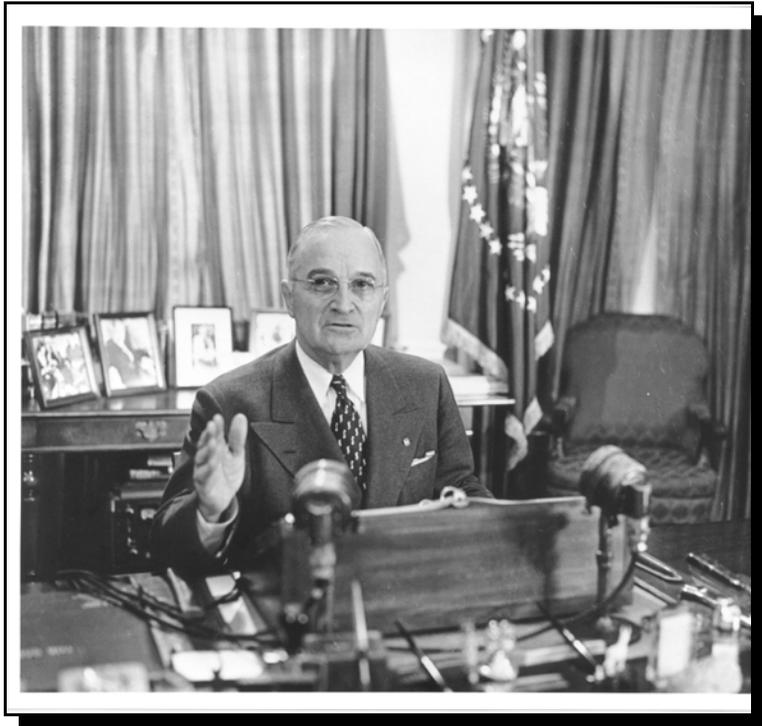
Additional information regarding debt can be found in the 'Notes to Financial Statements', section (7), of this report.

ECONOMIC FACTORS

In the last five years, the City, as a community, added 1,095 jobs, with employment increasing to over 63,728 jobs. Unemployment by mid-2003 had reached 5.2%, but this is lower than either Jackson County at 6.1% or the State at 5.3%. As with most of the rest of the country, the City's unemployment rate has increased 1% during the last two years. Median income for 2003 is estimated to be \$52,921, while the State is \$52,903.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

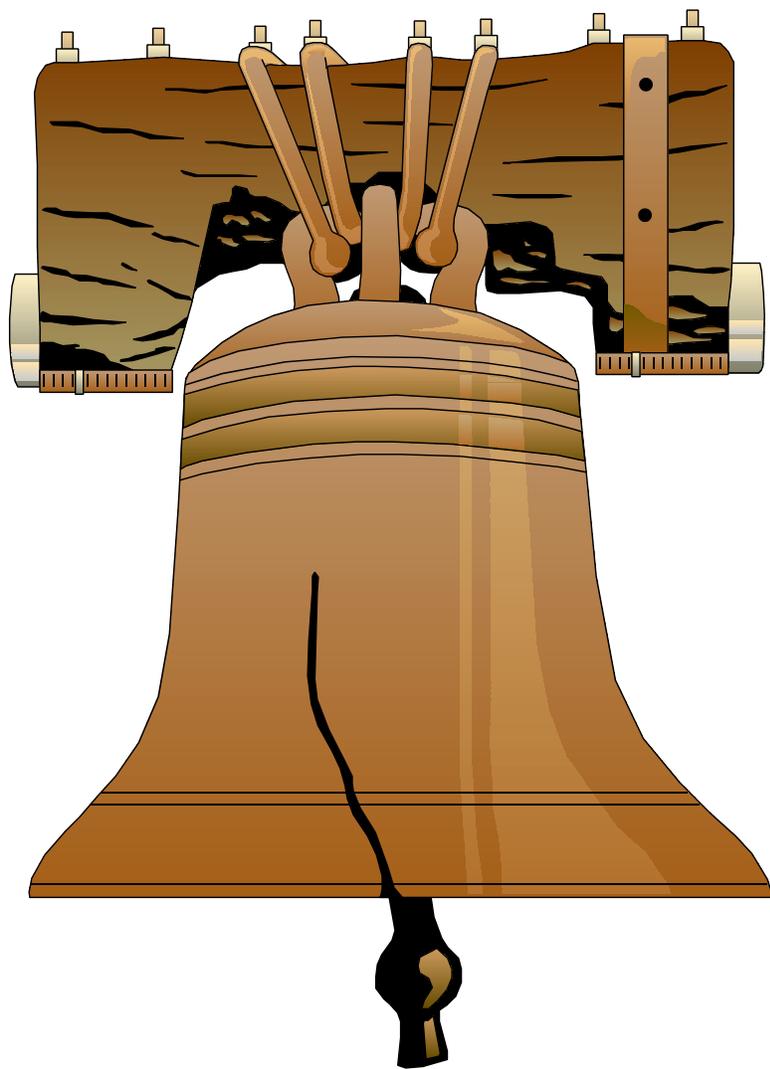
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to James C. Harlow, Director of Finance, City of Independence, P.O. Box 1019, Independence, MO 64051.



Harry S Truman, 33rd President
Picture Courtesy Harry S Truman Library



Harry S Truman, 33 President
Picture Courtesy Harry S Truman Library



CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2003

Assets	Governmental activities	Business-type activities	Total
Current assets:			
Pooled cash and investments	\$ 13,210,250	64,241,951	77,452,201
Receivables:			
Taxes	4,582,184	—	4,582,184
Accounts	1,389,991	6,420,321	7,810,312
Unbilled revenue	—	6,682,711	6,682,711
Special assessment principal and accrued interest	1,291,219	311,195	1,602,414
Accrued interest	2,118	63,816	65,934
Other	2,826	124,108	126,934
Internal balances	(257,042)	257,042	—
Due from other governments	4,166,679	—	4,166,679
Inventory	70,920	9,321,140	9,392,060
Prepaid items	60,726	93,325	154,051
Total current assets	<u>24,519,871</u>	<u>87,515,609</u>	<u>112,035,480</u>
Noncurrent assets:			
Restricted assets	10,233,405	2,091,854	12,325,259
Capital assets:			
Nondepreciable	53,690,647	23,417,714	77,108,361
Depreciable, net	24,198,116	240,590,427	264,788,543
Deferred debt issue costs	148,196	1,276,812	1,425,008
Other deferred charges	—	2,007,795	2,007,795
Total noncurrent assets	<u>88,270,364</u>	<u>269,384,602</u>	<u>357,654,966</u>
Total assets	<u>\$ 112,790,235</u>	<u>356,900,211</u>	<u>469,690,446</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts and contracts payable	\$ 2,436,557	4,317,862	6,754,419
Accrued items	2,156,789	2,005,521	4,162,310
Other current liabilities	776,560	521,423	1,297,983
Deferred revenue	896,955	30,320	927,275
Current portion of long-term obligations	7,504,001	4,459,345	11,963,346
Medical self-insurance claims	799,270	—	799,270
Liabilities payable from restricted assets	183,675	1,472,832	1,656,507
Total current liabilities	<u>14,753,807</u>	<u>12,807,303</u>	<u>27,561,110</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	57,085,602	54,968,905	112,054,507
Advances for construction	—	189,531	189,531
Total noncurrent liabilities	<u>57,085,602</u>	<u>55,158,436</u>	<u>112,244,038</u>
Total liabilities	<u>71,839,409</u>	<u>67,965,739</u>	<u>139,805,148</u>
Net assets:			
Invested in capital assets, net of related debt	75,199,757	210,181,962	285,381,719
Restricted for:			
Special revenue	8,918,992	—	8,918,992
Debt service	—	500,000	500,000
Other	13,160	—	13,160
Unrestricted	(43,181,083)	78,252,510	35,071,427
Total net assets	<u>40,950,826</u>	<u>288,934,472</u>	<u>329,885,298</u>
Total liabilities and net assets	<u>\$ 112,790,235</u>	<u>356,900,211</u>	<u>469,690,446</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2003

Functions/Programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue
Primary government:					
Governmental activities:					
General government	\$ 6,846,123	5,063,353	—	250	(1,782,520)
Public safety	33,028,116	3,758,528	2,368,194	—	(26,901,394)
Public works	6,686,542	649,768	4,530,964	986,344	(519,466)
Health and welfare	2,376,921	321,312	375,549	—	(1,680,060)
Culture and recreation	3,861,827	153,669	140,198	234,762	(3,333,198)
Community development	3,319,609	2,019,153	1,340,319	—	39,863
Storm water	1,081,513	(16,212)	69,205	—	(1,028,520)
Nondepartmental/other	11,149,913	20,000	(5,835)	—	(11,135,748)
Interest on long-term debt	2,955,628	—	—	—	(2,955,628)
Total governmental activities	<u>71,306,192</u>	<u>11,969,571</u>	<u>8,818,594</u>	<u>1,221,356</u>	<u>(49,296,671)</u>
Business-type activities:					
Power and light	65,841,126	77,276,647	—	139,378	11,574,899
Water	15,297,405	15,937,835	—	707,810	1,348,240
Sewer	11,535,324	12,753,946	256	—	1,218,878
Total business-type activities	<u>92,673,855</u>	<u>105,968,428</u>	<u>256</u>	<u>847,188</u>	<u>14,142,017</u>
Total primary government	<u>\$ 163,980,047</u>	<u>117,937,999</u>	<u>8,818,850</u>	<u>2,068,544</u>	<u>(35,154,654)</u>
			Governmental activities	Business-type activities	Total
Changes in net assets:					
Net (expense) revenue			\$ (49,296,671)	14,142,017	(35,154,654)
General revenues:					
Property taxes			6,104,668	—	6,104,668
Sales and use taxes			34,286,925	—	34,286,925
Franchise taxes			6,718,262	—	6,718,262
Financial institutions tax			32,412	—	32,412
Investment earnings			404,173	822,222	1,226,395
Miscellaneous			535,932	1,526,891	2,062,823
Transfers			9,333,977	(9,333,977)	—
Total general revenue and transfers			<u>57,416,349</u>	<u>(6,984,864)</u>	<u>50,431,485</u>
Change in net assets			8,119,678	7,157,153	15,276,831
Net assets, beginning			32,831,148	281,777,319	314,608,467
Net assets, ending			<u>\$ 40,950,826</u>	<u>288,934,472</u>	<u>329,885,298</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2003

Assets	General	Nonmajor governmental funds	Total governmental funds
Pooled cash and investments	\$ 1,487,634	10,261,488	11,749,122
Receivables:			
Taxes	2,813,157	1,769,028	4,582,185
Accounts	481,644	907,982	1,389,626
Special assessment principal and accrued interest	602,270	688,949	1,291,219
Accrued interest	—	2,118	2,118
Other	2,826	—	2,826
Due from other funds	1,593,346	1,697,326	3,290,672
Due from other governments	1,143,045	3,023,634	4,166,679
Prepaid assets	60,726	—	60,726
Restricted assets	796,502	9,436,903	10,233,405
Advance to other funds	154,699	—	154,699
Total assets	<u>\$ 9,135,849</u>	<u>27,787,428</u>	<u>36,923,277</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	\$ 1,530,367	885,513	2,415,880
Due to other funds	—	3,408,328	3,408,328
Accrued items	1,453,368	30,844	1,484,212
Other current liabilities	347,245	429,315	776,560
Deferred revenue	661,889	909,623	1,571,512
Liabilities payable from restricted assets:			
Deposits and court bonds	183,675	—	183,675
Advances from other funds	—	185,410	185,410
Total liabilities	<u>4,176,544</u>	<u>5,849,033</u>	<u>10,025,577</u>
Fund balances:			
Reserved for:			
Encumbrances	1,452,875	5,001,172	6,454,047
Domestic violence	15,585	—	15,585
Other purposes	566,578	6,091,394	6,657,972
Unreserved, reported in:			
General Fund	413,564	—	413,564
Special Revenue Funds	—	5,971,191	5,971,191
Capital Projects Funds	—	1,163,576	1,163,576
Permanent funds	—	8,160	8,160
Designated General Fund	2,510,703	—	2,510,703
Designated Special Revenue Funds	—	353,190	353,190
Designated Capital Projects Funds	—	3,344,712	3,344,712
Designated permanent funds	—	5,000	5,000
Total fund balance	<u>4,959,305</u>	<u>21,938,395</u>	<u>26,897,700</u>
Total liabilities and fund balance	<u>\$ 9,135,849</u>	<u>27,787,428</u>	<u>36,923,277</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2003

Fund balances – total governmental funds		\$	26,897,700
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Governmental capital assets	\$	96,793,393	
Less accumulated depreciation		<u>(19,009,794)</u>	
			77,783,599
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when due			(658,389)
Adjustment of deferred revenue			674,557
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets			643,404
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds, net of unamortized premiums/discounts:			
TIF loan payable		(49,379,628)	
Other loans payable		(2,922,048)	
Capital lease obligations		(1,086,598)	
Compensated absences		(11,062,103)	
Employee benefits payable		<u>(87,864)</u>	
			(64,538,241)
Deferred debt costs			<u>148,196</u>
Net assets of governmental activities	\$		<u><u>40,950,826</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2003

	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:			
Taxes	\$ 29,910,437	17,199,418	47,109,855
Licenses and permits	3,599,600	716,028	4,315,628
Intergovernmental	7,447,181	2,455,093	9,902,274
Charges for services	1,499,650	20,173	1,519,823
Interfund charges for support services	2,704,534	—	2,704,534
Fines, forfeitures, and court costs	3,502,074	—	3,502,074
Investment income	112,724	268,712	381,436
Sale of property, plant, and equipment	11,109	—	11,109
Other	840,816	(191,203)	649,613
Total revenues	<u>49,628,125</u>	<u>20,468,221</u>	<u>70,096,346</u>
Expenditures:			
Current:			
General government	6,542,594	—	6,542,594
Public safety	32,088,292	—	32,088,292
Public works	6,246,148	5,389	6,251,537
Health and welfare	2,300,201	—	2,300,201
Culture and recreation	2,393,302	1,159,601	3,552,903
Community development	2,140,327	1,101,826	3,242,153
Storm water	279,692	710,979	990,671
Nondepartmental/other	6,147,462	—	6,147,462
Capital outlay	1,220,500	15,903,001	17,123,501
Debt service:			
Principal	649,525	1,515,407	2,164,932
Interest and fiscal agent fees	141,902	2,791,850	2,933,752
Total expenditures	<u>60,149,945</u>	<u>23,188,053</u>	<u>83,337,998</u>
Deficiency of revenues over expenditures	<u>(10,521,820)</u>	<u>(2,719,832)</u>	<u>(13,241,652)</u>
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	36,885	3,480,000	3,516,885
Transfers in – utility payments in lieu of taxes	9,386,705	—	9,386,705
Transfers in	—	1,817,327	1,817,327
Transfers out	(1,036,671)	(833,384)	(1,870,055)
Total other financing sources	<u>8,386,919</u>	<u>4,463,943</u>	<u>12,850,862</u>
Net change in fund balances	<u>(2,134,901)</u>	<u>1,744,111</u>	<u>(390,790)</u>
Fund balances, beginning	<u>7,094,206</u>	<u>20,194,284</u>	<u>27,288,490</u>
Fund balances, ending	<u>\$ 4,959,305</u>	<u>21,938,395</u>	<u>26,897,700</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities

Year ended June 30, 2003

Net change in fund balances – total governmental funds	\$	(390,790)
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the depreciation expense. This is the amount by which capital outlays (\$12,231,243) exceeded depreciation (\$2,104,202) in the current period (see note 6)		10,127,041
The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of fixed assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities. The book value of the assets is:		(69,067)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		3,090
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Bond proceeds	\$	(3,516,885)
Principal payments		2,164,932
Discounts		47,402
Premiums		1,164
Issuance		(9,575)
		(1,312,962)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Compensated absences		(604,774)
Accrued interest		(21,876)
		(626,650)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities:		389,016
Change in net assets of governmental activities (Exhibit 2)	\$	8,119,678

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
 Proprietary Funds
 June 30, 2003

Assets	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Current assets:					
Pooled cash and investments	\$ 33,368,725	21,028,457	8,925,917	63,323,099	2,379,980
Receivables:					
Accounts (net of allowance of \$674,292)	4,287,653	1,140,116	992,552	6,420,321	365
Unbilled revenue	4,998,807	849,950	833,954	6,682,711	—
Special assessment principal and accrued interest	—	106,483	204,712	311,195	—
Accrued interest	46,954	11,267	5,124	63,345	471
Other	—	124,108	—	124,108	—
Due from other funds	102,300	—	15,355	117,655	—
Inventory	8,588,647	673,115	59,378	9,321,140	70,920
Prepaid items	90,412	2,913	—	93,325	—
Total current assets	<u>51,483,498</u>	<u>23,936,409</u>	<u>11,036,992</u>	<u>86,456,899</u>	<u>2,451,736</u>
Noncurrent assets:					
Restricted assets	1,087,700	802,232	201,922	2,091,854	—
Capital assets:					
Nondepreciable	11,143,310	3,512,668	8,761,736	23,417,714	93,979
Depreciable, net	126,903,801	65,686,760	47,999,866	240,590,427	11,185
Advance to other funds	—	—	30,711	30,711	—
Deferred debt issue costs	409,655	867,157	—	1,276,812	—
Prepaid employee benefits	761,962	100,843	144,382	1,007,187	—
Other deferred charges	288,000	1,719,795	—	2,007,795	—
Total noncurrent assets	<u>140,594,428</u>	<u>72,689,455</u>	<u>57,138,617</u>	<u>270,422,500</u>	<u>105,164</u>
Total assets	<u>\$ 192,077,926</u>	<u>96,625,864</u>	<u>68,175,609</u>	<u>356,879,399</u>	<u>2,556,900</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	\$ 3,245,069	515,768	557,025	4,317,862	20,681
Accrued items	689,341	358,677	957,503	2,005,521	14,188
Other current liabilities	167,400	318,887	35,136	521,423	20,235
Deferred revenue	—	30,320	—	30,320	—
Current portion of long-term obligations	2,740,517	1,511,169	207,659	4,459,345	—
Employee benefits payable	—	—	—	—	1,007,187
Medical self-insurance claims	—	—	—	—	799,270
Liabilities payable from restricted assets	853,655	468,255	150,922	1,472,832	—
Total current liabilities	<u>7,695,982</u>	<u>3,203,076</u>	<u>1,908,245</u>	<u>12,807,303</u>	<u>1,861,561</u>
Noncurrent liabilities:					
Revenue bonds payable	19,886,179	30,995,000	—	50,881,179	—
Compensated absences – long-term	2,777,705	820,594	489,427	4,087,726	31,123
Advances for construction	91,781	97,750	—	189,531	—
Total noncurrent liabilities	<u>22,755,665</u>	<u>31,913,344</u>	<u>489,427</u>	<u>55,158,436</u>	<u>31,123</u>
Total liabilities	<u>30,451,647</u>	<u>35,116,420</u>	<u>2,397,672</u>	<u>67,965,739</u>	<u>1,892,684</u>
Net assets:					
Invested in capital assets, net of related debt	116,415,932	37,004,428	56,761,602	210,181,962	105,164
Restricted for:					
Debt service	—	500,000	—	500,000	—
Unrestricted	45,210,347	24,005,016	9,016,335	78,231,698	559,052
Total net assets	<u>161,626,279</u>	<u>61,509,444</u>	<u>65,777,937</u>	<u>288,913,660</u>	<u>664,216</u>
Total liabilities and net assets	<u>\$ 192,077,926</u>	<u>96,625,864</u>	<u>68,175,609</u>	<u>356,879,399</u>	<u>2,556,900</u>

Some of the amounts reported for business-type activities in the statement of net assets are different because certain Internal Service Funds assets and liabilities are included with business-type activities:

Net assets of business-type activities	20,812
	<u>\$ 288,934,472</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year ended June 30, 2003

	Enterprise funds			Totals	Internal Service Funds
	Power and Light	Water	Sanitary Sewer		
Operating revenues:					
Charges for services	\$ 76,350,776	15,716,284	12,650,997	104,718,057	1,217,722
Miscellaneous	925,871	221,551	102,949	1,250,371	10,192,015
Total operating revenues	77,276,647	15,937,835	12,753,946	105,968,428	11,409,737
Operating expenses:					
Personal services	12,343,970	5,277,381	3,770,468	21,391,819	471,518
Other services	7,171,458	2,681,082	5,253,893	15,106,433	9,887,210
Supplies	31,221,836	1,213,729	369,697	32,805,262	480,863
Other expenses	5,225,563	2,752,375	59,428	8,037,366	1,030
Depreciation and amortization	8,629,799	1,863,012	2,075,145	12,567,956	5,268
Total operating expenses	64,592,626	13,787,579	11,528,631	89,908,836	10,845,889
Operating income	12,684,021	2,150,256	1,225,315	16,059,592	563,848
Nonoperating revenues (expenses):					
Interest revenue	361,377	274,786	169,591	805,754	39,204
Miscellaneous revenue	294,947	1,208,962	23,237	1,527,146	7,216
Interest expense	(1,371,216)	(1,562,597)	(35,989)	(2,969,802)	—
Total nonoperating revenue (expenses)	(714,892)	(78,849)	156,839	(636,902)	46,420
Income before contributions and transfers	11,969,129	2,071,407	1,382,154	15,422,690	610,268
Capital contributions	139,378	707,810	—	847,188	—
Transfers out – utility payments in lieu of taxes	(7,368,710)	(954,717)	(1,063,278)	(9,386,705)	—
Transfers in	12,459	1,649	2,361	16,469	36,259
Change in net assets	4,752,256	1,826,149	321,237	6,899,642	646,527
Total net assets:					
Beginning of the period	156,874,023	59,683,295	65,456,700	282,014,018	17,689
End of the period	\$ 161,626,279	61,509,444	65,777,937	288,913,660	664,216
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain Internal Service Funds is reported with business-type activities				257,511	
Change in net assets of business-type activities.				\$ 7,157,153	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2003

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Cash flows from operations:					
Receipts from customers	\$ 78,376,453	15,953,275	13,186,724	107,516,452	11,409,371
Payments to suppliers	(43,607,499)	(6,739,144)	(5,269,313)	(55,615,956)	(10,520,294)
Payments to employees	(12,081,497)	(5,388,753)	(3,719,715)	(21,189,965)	(510,676)
Net cash provided by operating activities	22,687,457	3,825,378	4,197,696	30,710,531	378,401
Cash flows from noncapital financing activities:					
Transfers in	12,459	1,649	2,361	16,469	36,259
Transfers in – payments in lieu of taxes	(7,368,710)	(954,717)	(1,063,278)	(9,386,705)	—
Advances to other funds	—	—	15,356	15,356	—
Unamortized LAGERS refund	163,284	21,624	30,948	215,856	—
Nonoperating revenues	294,947	1,208,962	23,237	1,527,146	7,216
Net cash provided by (used in) noncapital financing activities	(6,898,020)	277,518	(991,376)	(7,611,878)	43,475
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(10,031,077)	(3,643,829)	(3,655,790)	(17,330,696)	—
2002 ice storm capital repairs	4,696,336	1,196	502	4,698,034	—
Interest paid on revenue bonds and equipment contracts	(1,164,511)	(1,496,198)	(21,545)	(2,682,254)	—
Debt expense paid on revenue bonds	—	(8,050)	(1,300)	(9,350)	—
Proceeds from disposition of equipment	(321,904)	(57,499)	—	(379,403)	—
Proceeds from 2003 Refunding bond issue	6,010,569	—	—	6,010,569	—
Redemption of revenue bonds	(7,645,000)	(1,070,000)	(575,000)	(9,290,000)	—
Capital contributed	136,004	722,635	—	858,639	—
Interest received on special assessment	—	—	12,056	12,056	—
Net cash used in capital and related financing activities	(8,319,583)	(5,551,745)	(4,241,077)	(18,112,405)	—
Cash flows from investing activities:					
Purchases of investments	(178,383,543)	(115,533,581)	(51,776,026)	(345,693,150)	(5,492,809)
Proceeds from sales and maturities of investments	168,522,233	117,010,393	51,245,790	336,778,416	5,987,310
Interest on investments	522,079	369,658	163,877	1,055,614	41,754
Net cash provided by (used in) investing activities	(9,339,231)	1,846,470	(366,359)	(7,859,120)	536,255
Net increase (decrease) in cash and cash equivalents	(1,869,377)	397,621	(1,401,116)	(2,872,872)	958,131
Cash and cash equivalents at beginning of year	2,880,586	965,966	2,542,391	6,388,943	922,531
Cash and cash equivalents at end of year	1,011,209	1,363,587	1,141,275	3,516,071	1,880,662
Investments with original maturities greater than 90 days	33,445,216	20,467,102	7,986,564	61,898,882	499,318
Cash and investments	\$ 34,456,425	21,830,689	9,127,839	65,414,953	2,379,980
Noncash capital and related financing activities:					
Contributed capital	\$ 136,004	707,810	707,810	1,551,624	—
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	33,368,725	21,028,457	8,925,917	63,323,099	2,379,980
Restricted assets	1,087,700	802,232	201,922	2,091,854	—
Total cash and investments	\$ 34,456,425	21,830,689	9,127,839	65,414,953	2,379,980
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 12,684,021	2,150,256	1,225,315	16,059,592	563,848
Adjustments not affecting cash:					
Depreciation and amortization	8,629,799	1,863,012	2,075,145	12,567,956	5,268
Change in assets and liabilities:					
Accounts receivable	443,896	68,107	20,197	532,200	(365)
Inventory	981,651	(26,980)	(4,319)	950,352	13,067
Prepaid items	(24,046)	—	—	(24,046)	—
Loans to other funds	—	—	310,478	310,478	—
Unbilled revenue	655,908	(53,959)	(24,869)	577,080	—
Special assessments receivable	—	1,293	126,972	128,265	—
Other deferred charges	43,500	—	—	43,500	—
Accounts and contracts payable	(997,857)	(94,637)	422,409	(670,085)	(2,568)
Accrued liabilities	102,168	9,760	9,608	121,536	473
Other current liabilities	—	30,030	5,118	35,148	(161,699)
Deferred revenue	—	(5,206)	—	(5,206)	—
Customer deposits	8,111	15,433	9,652	33,196	—
Compensated absences	160,306	(131,731)	21,990	50,565	(39,623)
Total adjustments	10,003,436	1,675,122	2,972,381	14,650,939	(185,447)
Net cash provided by operating activities	\$ 22,687,457	3,825,378	4,197,696	30,710,531	378,401

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

Assets	Private-purpose trust funds	Agency funds
Pooled cash and investments	\$ 51,209	69,513
Accrued interest receivable	—	495
Total assets	<u>\$ 51,209</u>	<u>70,008</u>
 Liabilities		
Accounts and contracts payable	\$ 470	—
Funds held in escrow	—	23,362
Employee deferred credit	—	46,646
Total liabilities	<u>470</u>	<u>\$ 70,008</u>
 Net Assets		
Held in trust	<u>\$ 50,739</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended June 30, 2003

	<u>Private-purpose trust funds</u>
Additions:	
Charges for services	\$ 17,211
Interest	760
Total additions	<u>17,971</u>
Deductions:	
Community development	<u>19,054</u>
Total deductions	<u>19,054</u>
Change in net assets	(1,083)
Net assets, beginning	<u>51,822</u>
Net assets, ending	<u><u>\$ 50,739</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

The City of Independence, Missouri (the City) was incorporated in 1849 and covers an area of approximately 79 square miles in Jackson County, Missouri. The City is a charter city and operates under the City Council/City Manager form of government. The City Manager is the chief administrative officer of the City. The City provides services to residents in many areas, including law enforcement, fire protection, electrical, water and sewer services, community enrichment and development, recreation, and various social services. Elementary, secondary, and junior college education services are provided by various school districts, all of which are separate governmental entities.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The following is a summary of the more significant accounting and reporting policies and practices of the City.

(a) *The Financial Reporting Entity*

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

The Tax Increment Financing (TIF) Commission is governed by an 11-member board, of which 6 members are appointed by the City Council. The remaining 5 members are appointed by the respective taxing districts' boards. The TIF Commission is legally separate from the City but has no budget or financial operations, and its sole function is to advise the City concerning the use of TIF as a method for the City to finance redevelopment projects. The TIF Commission is presented as a blended component unit.

(b) *Basis of Presentation*

Government-wide Statements. The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Power and Light Fund – This fund accounts for the acquisition, operation, and maintenance of the City's power and light utility facilities and services.

Water Fund – This fund accounts for the acquisition, operation, and maintenance of the City's water utility facilities and services.

Sanitary Sewer Fund – This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer utility facilities and services.

The City reports the following fund types:

Internal Service Funds – These funds account for the costs of fleet maintenance, healthcare, and benefits provided to other departments on a cost-reimbursed basis.

Trust Funds – These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.

Agency Funds – These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan and for monies held for the Susie Paxton Block Distinguished Public Service Award.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(c) Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donation is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental activities and business-type activities and all enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Under the terms of grant agreements, the City funds programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(d) Accounts Receivable

Accounts receivable result primarily from sales of electricity, water, and sewer services accounted for in the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively. An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

(e) Investments

All investments (excluding short-term investments held in trust) are reported at fair value. The fair value of marketable securities is based on quotations which are generally obtained from National Securities Exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or National Pricing Services.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(f) Inventory

Inventory of the enterprise funds consists of the coal supply and electric, water, and sanitary sewer utility materials and is valued at average cost. Inventory of the Internal Service Fund consists of vehicle and equipment parts and materials and is valued at the lower of cost (first in, first out) or market.

(g) Interfund Transactions

The City has the following types of interfund transactions:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(h) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. For property acquired from another utility, the difference between the net cost of plant assets recorded by the selling entity and the purchase price is recorded as an acquisition adjustment. Contributions of fixed assets received from federal, state, or local sources are recorded as assets and contributed capital at fair market value at the time of receipt. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation has been provided over the estimated useful lives using the composite and straight-line methods. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

	<u>Years</u>
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads and bridges	40
Drainage systems	25
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

	<u>Years</u>
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25

Fully depreciated fixed assets are included in the capital assets accounts until their disposal. For business-type activities, units retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized.

Property, plant, and equipment financed by capital leases are reflected as assets and corresponding liabilities, and the related depreciation expense is provided on the same basis as assets financed with other resources. General fixed assets financed by capital leases are reported as an expenditure and other financing source in the governmental funds.

As part of GASB Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure. This requirement permits an optional three-year further delay for implementation to the fiscal year ending 2006. The City elected to implement the basic model for fiscal year 2002 and will implement the infrastructure-related portion by June 30, 2006.

(i) Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(j) Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

(k) Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. Sick leave is granted at the rate of eight hours per month. Sick leave may be accumulated without limitation. Upon termination, compensation for accrued sick leave is paid up to the equivalent of six months' regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

The liability for compensated absences reported in the government-wide and proprietary fund statements has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative City plans that are subject to change.

(m) Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(n) Statement of Cash Flows

The proprietary fund’s investments maintained in the City’s pooled investments are readily convertible to known amounts of cash and are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, these investments are considered cash equivalents.

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and Investments

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Treasury securities and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of average monthly cash and investment balances. Only enterprise funds with overdrawn balances are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

The carrying values of deposits and investments are summarized as follows:

Investments:		
Certificates of deposit	\$	8,000,000
Short-term investments held in trust		9,661,730
U.S. Treasury securities		<u>58,911,999</u>
Total investments		76,573,729
Deposits		13,314,708
Petty cash		<u>9,745</u>
Total	\$	<u><u>89,898,182</u></u>

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-wide statement of net assets	Fiduciary funds statement of net assets	Total
Pooled cash and investments	\$ 77,452,201	120,722	77,572,923
Restricted assets	<u>12,325,259</u>	<u>—</u>	<u>12,325,259</u>
	\$ <u><u>89,777,460</u></u>	<u><u>120,722</u></u>	<u><u>89,898,182</u></u>

Deposits – At June 30, 2003, the carrying amount of the City's deposits was \$13,314,708 and the bank balance was \$15,133,106. Of the bank balance, \$100,000 was covered by federal depository insurance and \$15,033,106 was covered by a \$26,000,000 irrevocable letter of credit with the Federal Home Loan Bank of Des Moines, Iowa, with the City as beneficiary. There was no amount outstanding on this letter of credit as of June 30, 2003.

Investments – The City's investments are categorized as either (1) insured and registered, for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered, for which the securities are held by the bank's trust department or agent in the City's name, or (3) uninsured and unregistered, for which the securities are held by the bank or by its trust department or agent, but not in the City's name. At June 30, 2003, the City's investments in U.S. Treasury securities of \$58,911,999 were classified as category (2) above. Short-term investments held in trust represent money markets or mutual funds, which are not subject to categorization.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2003 is as follows:

	General	Nonmajor governmental funds
Real estate tax	\$ 6,037,797	2,117,282
Railroad utilities tax	45,144	—
Cigarette tax	583,785	—
Transient guest tax	—	680,605
Sales tax	16,525,449	14,401,531
Franchise tax	6,718,262	—
	\$ 29,910,437	17,199,418

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Jackson County bills and collects all real estate taxes for the City and charges a 1.5% to 1.6% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2002, on which the fiscal 2002 levy was based, was \$822,272,178. In the year ended June 30, 2003, the City collected 94.46% of real estate taxes which were levied in that period.

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to \$0.40 per \$100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per \$100 assessed valuation for the year ended June 30, 2003 were \$0.51 for the General Fund, \$0.24 for Public Health and Recreation, and \$0.47 for the Independence Square Benefit District Fund.

The City has passed ordinances to establish TIFs. The establishment of these districts allows the City to provide public improvements to encourage developers to construct and make new investments within blighted, conservation, or economic areas. Through the use of a TIF district, the City can utilize one-half of the incremental Jackson County and City sales taxes, plus the taxes generated by the incremental increase in property values from the date the TIFs were established, and the combined levies of all taxing jurisdictions for infrastructure improvements. Tax revenues (real estate and sales taxes) available to the TIFs for the year ended June 30, 2003 were \$4,383,845 and were included as tax revenue in the Tax Increment Financing (Capital Projects) Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2003 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor governmental funds</u>
Federal:		
Environmental Protection Agency:		
Air Quality Tools for School	\$ 9,663	—
Federal Emergency Management Agency:		
Emergency Management Assistance	42,341	—
Citizen's Corps	500	—
FEMA Public Assistance Grant	(6,104)	—
Department of Health and Human Services:		
Nursing Consultation	2,120	—
Sanitation of Child Care Facilities	5,346	—
Maternal and Child Health	67,219	—
Senior Nutrition Site	25,000	—
Home Visitation Capacity Building	27,604	—
Homeless Challenge	30,458	—
Bioterrorism	108,989	—
Summer Food Service Program	180	—
Performance Management Collaborative	3,101	—
Chronic Disease Health Educator	27,500	—
West Nile Virus Surveillance	12,097	—
National Park Service:		
African American Heritage Area	8,340	—
Department of Housing and Urban Development:		
Emergency Shelter Grant	87,292	—
Community Development Block Grant	—	922,979
Home Investment Partnership Grant	—	290,015
Department of Transportation:		
Urban Mass Transportation Assistance	12,353	—
Highway Planning and Construction	103,953	486,946
State and Community Highway Safety	94,486	—
Department of Justice:		
Drug Enforcement Administration	12,000	—
Office of Community Oriented Policing	78,984	—
Bullet Proof Vest Partnership	1,817	—
Department of Public Safety:		
Narcotics Control Assistance Program	31,415	—
Office of National Drug Control Policy	326,923	—
Office of Justice Programs	494,193	—
Violence Against Women Grant	190,175	—
Department of Natural Resources:		
FEMA Flood Buyout	—	(76)
U.S. Secret Service:		
K.C. Metro Financial Crimes Task Force	13,897	—
Total federal	\$ <u>1,811,842</u>	<u>1,699,864</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

	<u>General Fund</u>	<u>Nonmajor governmental funds</u>
State and local:		
Department of Health and Human Services		
Core Health Services	\$ 104,368	—
Influenza Vaccine	1,500	—
Small Pox Vaccine	2,759	—
Department of Revenue:		
Motor vehicle fuel tax	3,160,336	—
Motor vehicle sales tax	811,243	—
Motor vehicle fees	559,385	—
Financial institution tax	32,412	—
Department of Tourism:		
Cooperative Marketing Agreement	—	55,741
Department of Public Safety:		
Juvenile Accountability Incentive	48,474	—
Post Commission Fund	37,474	—
DWI Enforcement	1,439	—
Missouri Police Chiefs Association:		
Seat Belt Enforcement	11,610	—
Department of Natural Resources:		
North Fork of Crackerneck Deten.	—	4,013
35th and Leslie Phase II	—	68,410
State Emergency Management Agency:		
Public assistance grant – January ice storm	(232)	795
Office of Administration:		
Truman Memorial Building	—	234,762
Jackson County Anti-Drug Tax	333,276	—
Jackson County Funding of D.A.R.E. Program	509,536	—
Jackson County Urban Road System	—	391,508
Other	21,759	—
	<u>5,635,339</u>	<u>755,229</u>
Total state and local		
Total	\$ <u>7,447,181</u>	<u>2,455,093</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

Amounts due from other governments at June 30, 2003 are as follows:

	<u>Federal</u>	<u>State and local</u>	<u>Total</u>
General:			
Department of Justice:			
Office of National Drug Control – HIDTA	\$ 57,400	—	57,400
Office of COPS	2,169	—	2,169
Grants to Encourage Arrest Policies	53,940	—	53,940
National Office of Weed & Seed	64,155	—	64,155
Department of Revenue:			
Motor vehicle fuel tax	—	530,000	530,000
Motor vehicle sales tax	—	65,000	65,000
Motor vehicle license fees	—	143,000	143,000
Other	152,968	74,413	227,381
	<u>330,632</u>	<u>812,413</u>	<u>1,143,045</u>
Nonmajor:			
Department of Housing and Urban Department –			
Community Development Block Grant	96,929	—	96,929
Rental Rehabilitation	144,824	—	144,824
Missouri Division of Tourism	—	19,569	19,569
Department of Transportation – Highway			
Planning and Construction	812,680	—	812,680
Department of Natural Resources	—	364,577	364,577
Department of Interior:			
Truman Memorial Building Restoration	250,000	—	250,000
Jackson County – Urban Road System	—	1,206,474	1,206,474
Tax Increment Financing Projects	—	128,581	128,581
	<u>1,304,433</u>	<u>1,719,201</u>	<u>3,023,634</u>
Total	\$ <u>1,635,065</u>	<u>2,531,614</u>	<u>4,166,679</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(5) Interfund Transactions

(a) Interfund Balances

Interfund balances at June 30, 2003 consisted of the following:

	<u>Due from nonmajor governmental</u>
Due to:	
General Fund	\$ 1,593,346
Power and Light Fund	102,300
Sanitary Sewer Fund	15,356
Nonmajor governmental	<u>1,697,326</u>
Total	<u><u>\$ 3,408,328</u></u>

(a) Interfund payables and receivables represent loans.

(b) Nonmajor governmental funds have loans outstanding to the General and Sanitary Sewer Funds in the amount of \$154,699 and \$30,711, respectively, that will be paid back over the next five years.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2003 were as follows:

	<u>Interfund charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 10,000	5,600
Power and Light Fund	1,390,859	64,040
Sanitary Sewer Fund	529,527	25,005
Water Fund	<u>774,148</u>	<u>36,865</u>
	<u><u>\$ 2,704,534</u></u>	<u><u>131,510</u></u>

Rent charges, which consist of leased office space, are included in other revenue of the General Fund.

Interfund charges for customer service support services and telephone operators were paid (recorded as operating expenses) to the Water Fund (recorded as income) during fiscal year 2003 as follows:

Sanitary Sewer Fund	\$ 180,696
Power and Light Fund	<u>867,300</u>
	<u><u>\$ 1,047,996</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(c) Payments in Lieu of Taxes

The payments of \$7,368,710, \$954,717, and \$1,063,278 in fiscal year 2003 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund in lieu of taxes approximate franchise taxes and real estate taxes on plant in service. The franchise tax rate, established by City ordinance at 9.08%, is applied to gross billed operating revenues less amounts written off to arrive at the franchise tax due the General Fund. Real estate taxes are charged at a set amount.

(d) Interfund Transfers

Interfund transfers for the year ended June 30, 2003 consisted of the following:

	Transfer from			Total
	General Fund	Nonmajor governmental	Internal Service Funds	
Transfers to:				
Water Fund	\$ —	—	1,649	1,649
Power and Light Fund	—	—	12,459	12,459
Sanitary Sewer Fund	—	—	2,361	2,361
Nonmajor governmental	983,943	833,384	—	1,817,327
Internal Service Funds	52,728	—	—	52,728
Total	<u>\$ 1,036,671</u>	<u>833,384</u>	<u>16,469</u>	<u>1,886,524</u>

- (a) Transfers are the result of payment for capital project expenditures.
- (b) Transfers between the General Fund, Power and Light Fund, Sanitary Sewer Fund, Water Fund, and Internal Service Funds represent reimbursement for the prepayment on the LAGERS reimbursement (see note 10).

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(6) Capital Assets

Capital asset activity for the year ended June 30, 2003 is as follows:

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2003</u>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 10,682,267	—	—	10,682,267
Construction work in progress	34,537,026	11,131,106	(2,659,752)	43,008,380
Total nondepreciable capital assets	<u>45,219,293</u>	<u>11,131,106</u>	<u>(2,659,752)</u>	<u>53,690,647</u>
Depreciable capital assets:				
Land improvements	155,965	99,682	—	255,647
Buildings	9,716,819	—	—	9,716,819
Building improvements	3,404,949	866,433	—	4,271,382
Improvements other than buildings	1,080,107	328,107	—	1,408,214
Office furniture and equipment	904,644	10,754	(7,130)	908,268
Computer equipment	998,412	36,262	—	1,034,674
Mobile equipment	13,652,739	866,419	(442,958)	14,076,200
Other equipment	2,530,390	128,158	(11,570)	2,646,978
Infrastructure	7,564,314	1,556,536	—	9,120,850
Total depreciable capital assets	<u>40,008,339</u>	<u>3,892,351</u>	<u>(461,658)</u>	<u>43,439,032</u>
Less accumulated depreciation for:				
Land improvements	(7,777)	(7,798)	—	(15,575)
Buildings	(5,169,093)	(236,529)	—	(5,405,622)
Building improvements	(534,951)	(171,696)	—	(706,647)
Improvements other than buildings	(625,328)	(44,781)	—	(670,109)
Office furniture and equipment	(806,999)	(46,312)	6,906	(846,405)
Computer equipment	(592,112)	(128,461)	—	(720,573)
Mobile equipment	(8,120,722)	(1,051,563)	268,207	(8,904,078)
Other equipment	(1,442,545)	(175,071)	6,277	(1,611,339)
Infrastructure	(113,306)	(247,262)	—	(360,568)
Total accumulated depreciation	<u>(17,412,833)</u>	<u>(2,109,473)</u>	<u>281,390</u>	<u>(19,240,916)</u>
Total depreciable capital assets, net	<u>22,595,506</u>	<u>1,782,878</u>	<u>(180,268)</u>	<u>24,198,116</u>
Governmental activities capital assets, net	\$ <u>67,814,799</u>	<u>12,913,984</u>	<u>(2,840,020)</u>	<u>77,888,763</u>

Depreciation expense was charged to functions as follows:

General government	\$ 253,939
Public safety	839,576
Public works	448,937
Health and welfare	49,136
Culture and recreation	292,221
Community development	49,154
Storm water	171,242
In addition, depreciation on capital assets held by the City's Central Garage Fund is charged to the various functions based on their usage of the assets	<u>5,268</u>
	\$ <u>2,109,473</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2003</u>
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,637,065	—	—	2,637,065
Construction in progress	13,007,754	—	(4,501,509)	8,506,245
Total nondepreciable capital assets	15,644,819	—	(4,501,509)	11,143,310
Depreciable capital assets:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	127,160,599	8,605,320	(214,577)	135,551,342
Transmission plant	21,376,058	18,632	(2,176)	21,392,514
Distribution plant	85,564,521	4,569,316	(618,554)	89,515,283
General plant	16,719,897	1,117,543	(228,384)	17,609,056
Total depreciable capital assets	253,576,643	14,310,811	(1,063,691)	266,823,763
Less accumulated depreciation:				
Acquisition adjustment	(2,150,781)	(154,404)	—	(2,305,185)
Production plant	(81,936,616)	(3,819,842)	214,577	(85,541,881)
Transmission plant	(8,868,859)	(591,790)	8,973	(9,451,676)
Distribution plant	(28,369,540)	(2,823,647)	955,460	(30,237,727)
General plant	(11,571,736)	(1,040,141)	228,384	(12,383,493)
Total accumulated depreciation	(132,897,532)	(8,429,824)	1,407,394	(139,919,962)
Total depreciable capital assets, net	120,679,111	5,880,987	343,703	126,903,801
Total power and light capital assets	136,323,930	5,880,987	(4,157,806)	138,047,111
Water Fund:				
Nondepreciable capital assets:				
Land	1,991,833	—	—	1,991,833
Construction in progress	1,803,114	—	(282,279)	1,520,835
Total nondepreciable capital assets	3,794,947	—	(282,279)	3,512,668
Depreciable capital assets:				
Acquisition adjustment	12,547,765	—	—	12,547,765
Nonutility property	40,014	—	—	40,014
Source of supply	5,393,509	928,393	(5,963)	6,315,939
Pumping plant	4,881,192	178,900	(12,730)	5,047,362
Treatment plant	12,614,072	77,514	(48,122)	12,643,464
Transmission plant	45,913,259	1,723,450	(96,316)	47,540,393
General plant	5,190,288	211,011	(74,771)	5,326,528
Total depreciable capital assets	86,580,099	3,119,268	(237,902)	89,461,465
Less accumulated depreciation:				
Acquisition adjustment	(7,436,187)	(371,751)	—	(7,807,938)
Nonutility property	(14,000)	—	—	(14,000)
Source of supply	(2,493,732)	(325,741)	22,345	(2,797,128)
Pumping plant	(1,568,155)	(159,184)	14,089	(1,713,250)
Treatment plant	(3,406,025)	(314,924)	48,122	(3,672,827)
Transmission plant	(5,203,268)	(554,360)	108,214	(5,649,414)
General plant	(1,895,080)	(300,185)	75,117	(2,120,148)
Total accumulated depreciation	(22,016,447)	(2,026,145)	267,887	(23,774,705)
Total depreciable capital assets, net	64,563,652	1,093,123	29,985	65,686,760
Total water capital assets	\$ 68,358,599	1,093,123	(252,294)	69,199,428

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2003</u>
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	—	—	330,191
Construction in progress	6,640,491	3,408,415	(1,617,361)	8,431,545
Total nondepreciable capital assets	<u>6,970,682</u>	<u>3,408,415</u>	<u>(1,617,361)</u>	<u>8,761,736</u>
Depreciable capital assets:				
Nonutility property	46,368	—	—	46,368
Collection plant	61,016,906	1,660,060	—	62,676,966
Pumping plant	4,938,625	13,064	—	4,951,689
Treatment plant	14,325,955	—	(85,325)	14,240,630
General plant	3,781,231	191,611	(55,053)	3,917,789
Total depreciable capital assets	<u>84,109,085</u>	<u>1,864,735</u>	<u>(140,378)</u>	<u>85,833,442</u>
Less accumulated depreciation:				
Nonutility property	(46,368)	—	—	(46,368)
Collection plant	(16,031,843)	(783,277)	—	(16,815,120)
Pumping plant	(4,351,694)	(214,738)	—	(4,566,432)
Treatment plant	(11,662,790)	(784,245)	85,325	(12,361,710)
General plant	(3,806,114)	(292,885)	55,053	(4,043,946)
Total accumulated depreciation	<u>(35,898,809)</u>	<u>(2,075,145)</u>	<u>140,378</u>	<u>(37,833,576)</u>
Total depreciable capital assets, net	<u>48,210,276</u>	<u>(210,410)</u>	<u>—</u>	<u>47,999,866</u>
Total sanitary sewer capital assets	<u>55,180,958</u>	<u>3,198,005</u>	<u>(1,617,361)</u>	<u>56,761,602</u>
Total business-type activities capital assets	\$ <u>259,863,487</u>	<u>10,172,115</u>	<u>(6,027,461)</u>	<u>264,008,141</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	\$ 7,892,485
Water	1,863,012
Water pollution control	<u>2,075,145</u>
Total business-type activities depreciation expense	\$ <u>11,830,642</u>

Construction in progress at June 30, 2003 represents improvements to and expansion of the City's sanitary sewer system, water utility system, storm water utility system, and renovation of the electrical utility system.

(7) Long-term Obligations

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes," not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property for the purpose of acquiring rights-of-way, constructing, extending, and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric, or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2003:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Governmental activities:					
Loans and notes payable:					
TIF loans	\$ 47,322,682	3,495,446	1,438,500	49,379,628	1,615,000
Loans payable	3,125,898	2,314	206,164	2,922,048	1,430,000
Capital lease obligations	1,622,013	63,122	598,538	1,086,597	498,302
Total loans and notes payable	<u>52,070,593</u>	<u>3,560,882</u>	<u>2,243,202</u>	<u>53,388,273</u>	<u>3,543,302</u>
Other liabilities:					
Employee benefits payable (note 10)	140,592	—	52,728	87,864	52,728
Compensated absences	10,548,315	2,421,752	1,856,601	11,113,466	3,907,971
Total other liabilities	<u>10,688,907</u>	<u>2,421,752</u>	<u>1,909,329</u>	<u>11,201,330</u>	<u>3,960,699</u>
Total governmental activities long-term liabilities	<u>\$ 62,759,500</u>	<u>5,982,634</u>	<u>4,152,531</u>	<u>64,589,603</u>	<u>7,504,001</u>
Business-type activities:					
Power and Light Fund:					
Revenue bonds	\$ 25,715,000	5,975,000	7,645,000	24,045,000	1,745,000
Less: Deferred amount on refunding	<u>(1,703,386)</u>	<u>(853,376)</u>	<u>(142,941)</u>	<u>(2,413,821)</u>	<u>—</u>
Total revenue bonds	24,011,614	5,121,624	7,502,059	21,631,179	1,745,000
Compensated absences	3,612,916	322,135	161,829	3,773,222	995,517
Total Power and Light Fund	<u>27,624,530</u>	<u>5,443,759</u>	<u>7,663,888</u>	<u>25,404,401</u>	<u>2,740,517</u>
Water Fund:					
Revenue bonds	33,265,000	—	1,070,000	32,195,000	1,200,000
Compensated absences	1,263,493	—	131,730	1,131,763	311,169
Total Water Fund	<u>34,528,493</u>	<u>—</u>	<u>1,201,730</u>	<u>33,326,763</u>	<u>1,511,169</u>
Sanitary Sewer Fund:					
Loan payable	575,000	—	575,000	—	—
Compensated absences	675,097	57,699	35,710	697,086	207,659
Total Sanitary Sewer Fund	<u>1,250,097</u>	<u>57,699</u>	<u>610,710</u>	<u>697,086</u>	<u>207,659</u>
Total business-type activities long-term liabilities	<u>\$ 63,403,120</u>	<u>5,501,458</u>	<u>9,476,328</u>	<u>59,428,250</u>	<u>4,459,345</u>

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

Debt service requirement on long-term debt at June 30, 2003 are as follows:

Governmental activities					
		TIF loans		Loans payable	
		Principal	Interest	Principal	Interest
2004	\$	1,615,000	2,728,379	1,430,000	129,710
2005		1,845,000	2,644,626	225,000	68,460
2006		2,025,000	2,546,413	230,000	58,398
2007		2,260,000	2,441,470	245,000	47,963
2008		2,490,000	2,326,486	255,000	36,890
2009-2013		13,190,000	9,466,010	545,000	38,440
2014-2018		12,395,000	6,121,300	—	—
2019-2023		13,875,000	2,043,681	—	—
	\$	<u>49,695,000</u>	<u>30,318,365</u>	<u>2,930,000</u>	<u>379,861</u>
Enterprise funds					
		Power and Light		Water	
		Principal	Interest	Principal	Interest
2004	\$	1,745,000	983,448	1,200,000	1,429,935
2005		1,855,000	921,038	1,285,000	1,379,178
2006		1,925,000	855,273	1,415,000	1,321,870
2007		1,995,000	784,822	1,540,000	1,257,960
2008		2,065,000	708,217	1,670,000	1,187,820
2009-2013		11,760,000	2,196,421	10,915,000	4,573,355
2014-2018		2,700,000	122,010	14,170,000	1,229,600
	\$	<u>24,045,000</u>	<u>6,571,229</u>	<u>32,195,000</u>	<u>12,379,718</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(a) Revenue Bonds

Revenue bonds payable at June 30, 2003 are comprised of the following individual issues:

Power and Light Fund:

\$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of \$700,000 to \$2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003	\$ 18,070,000
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\$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of \$435,000 to \$660,000 through June 1, 2014, interest at 2.0% to 3.65%	5,975,000
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Less deferred loss on refunding	<u>(2,413,821)</u>
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Total Power and Light Fund	21,631,179
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Water Fund:

\$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of \$850,000 to \$5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0%	<u>32,195,000</u>
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	\$ <u><u>53,826,179</u></u>
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The power and light revenue bond ordinance and the water revenue bond indenture require that the systems be accounted for in separate enterprise funds. They also require that after sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts in the following sequences:

<u>Account</u>	<u>Restriction</u>
Principal and interest	For the monthly accumulation of monies to meet the maturing revenue bond principal-and-interest requirements
Depreciation and emergency (water only)	For the accumulation of \$500,000 to finance emergency repairs and system improvements

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

Surplus account monies are reflected as unrestricted cash. The required reserves are reported in the accompanying statement of net assets as restricted assets as follows:

<u>Account</u>	<u>Enterprise funds</u>		
	<u>Power and Light</u>	<u>Sanitary Sewer</u>	<u>Water</u>
Principal and interest	\$ —	—	—
Depreciation and emergency	—	—	500,000
Total revenue bond reserves	—	—	500,000
Customer deposits	771,700	159,922	222,232
Workers' compensation	316,000	51,000	80,000
Total	\$ <u>1,087,700</u>	<u>210,922</u>	<u>802,232</u>

Various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such financial limitations and restrictions.

Restricted assets in the General Fund of \$796,502 at June 30, 2003 consist of cash on deposit for a workers' compensation bond (note 12), a debt service reserve (note 7), and municipal court bond deposits.

(b) Tax Increment Financing

On June 1, 1999, the City entered into a \$7,240,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$270,000 to \$835,000 through June 1, 2011 and bearing interest at 4.0% to 5.25%. The proceeds of the loan are to be used for costs related to redevelopment of Bolger Square.

On April 1, 2000, the City issued an \$11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$677,556 to \$1,307,556 through April 1, 2020 and bearing interest at 5.8% to 6.2%. The proceeds of the bond issuance are to be used for costs related to redevelopment of Hartman Heritage area.

On May 1, 2000, the City issued a \$5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$293,482 to \$846,000 through April 1, 2012 and bearing interest at 5.8% to 6.2%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2000, the City issued a \$12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$318,690 to \$2,310,800 through April 1, 2021 and bearing interest at 5.37% to 6%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

On August 1, 2001, the City issued a \$10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$87,849 to \$1,913,956 through April 1, 2023 and bearing interest at 4.375% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Sante Fe area.

On November 1, 2001, the City issued a \$1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$43,019 to \$168,400 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2002, the City issued a \$3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of \$145,452 to \$866,653 through April 1, 2012 and bearing interest at 3.5% to 4.1%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

Restricted assets in the Capital Projects Funds of \$9,425,788 consist of funds available for costs related to the redevelopment of the Bolger Square, Hartman Heritage, Sante Fe, and Eastland Center areas.

(c) General Fund Loan Payable

On June 1, 2000, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$530,000, due in annual installments of \$68,637 to \$72,280 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,635,000, due in annual installments of \$216,763 to \$224,460 through June 1, 2010 and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire Department, and additional funding for Hartman Heritage Tax Increment Financing Project. Restricted assets in the General Fund of \$224,953 consist of funds available for costs related to this debt.

(d) Park Improvement Sales Tax Loan Payable

On June 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,215,000. Interest is due in semiannual installments of \$25,819 through June 1, 2004, with interest at 4.25%. The City is required to make a one-time principal payment of \$1,215,000 on June 1, 2004. The proceeds will be used for the restoration of the Truman Memorial Building.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(e) Capital Lease Obligations

Capital leases payable at June 30, 2003 are comprised of the following:

Governmental funds:

CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006; a lease utilized to renovate the HVAC of City Hall	\$ 277,238
First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005; a lease utilized to purchase a fire truck, vehicles, rescue equipment, and a telephone system	129,549
Emergency One, Inc, interest at 4.84%, annual installments through May 18, 2005; a lease to purchase a nonwalk-in rescue unit on a commercial chassis and custom pumpers on two Emergency One Cyclone chassis	189,432
Emergency One, Inc, interest at 5.84%, annual installments through March 2005; a lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus	197,003
Emergency One, Inc, interest at 6.31%, annual installments through October 2007; a lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus	95,693
IBM Corporation, monthly installments through January 1, 2004:	
a) Interest at 5.02%; a lease to purchase IBM software	4,074
b) Interest at 5.52%; a lease to purchase a Base Extension	1,668
c) Interest at 5.02%; a lease to purchase a Remarketed Service Unit	5,694
d) Interest at 5.52%; a lease to purchase a Base Extension	3,264
e) Interest at 4.76%; a lease to purchase a Midrange AS/400 processor	11,828
f) Interest at 5.52%; a lease to purchase a Base Extension	7,797
g) Interest at 5.52%; a lease to purchase a Base Extension	221
h) Interest at 5.52%; a lease to purchase a Base Extension	722
i) Interest at 5.52%; a lease to purchase a Base Extension	1,947
IBM Corporation, monthly installments through November 1, 2004:	
a) Interest at 4.84%; a lease to purchase an AS/400 SWSUB	6,385
b) Interest at 4.94%; a lease to purchase a Remarketed Service Unit	16,183
c) Interest at 4.64%; a lease to purchase a System Unit	31,819
d) Interest at 4.82%; a lease to purchase an OEM UPS for AS/400	1,442
Caterpillar Financial Services Corporation, interest at 6.25%, annual installments through December 2003; a lease to purchase a back-end loader and a front-end loader	34,276
Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005; a lease to purchase a Vac-Con Sewer Cleaner	70,362

\$ 1,086,597

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

Assets acquired through capital leases amounted to \$5,389,429 as of June 30, 2003.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003 were as follows:

	<u>General long-term debt</u>	
Year ending June 30:		
2004	\$	556,861
2005		443,105
2006		142,357
2007		22,909
2008		22,909
Thereafter		<u>—</u>
		1,188,141
Less imputed interest		<u>101,544</u>
Present value of minimum lease payments	\$	<u><u>1,086,597</u></u>

(8) Advances for Construction

As new additions to the water distribution system are constructed, the Water (Enterprise) Fund requires the developer or wholesaler to advance the estimated cost of the water main extension or improvement. Upon project completion, any excess of the advance over the project cost is refunded to the developer or wholesaler or vice versa. The advances for construction at June 30, 2003 were \$97,750.

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2003 were \$91,781.

(9) Employee Retirement System

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 7.2% (general), 5.1% (police), and 12.0% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

Annual Pension Cost

For 2003, the City's annual pension cost of \$3,897,577 was equal to the required and actual contribution (see Exhibit 11 for Schedule of Funding Progress and Employer Contributions for the years ended 2003, 2002, and 2001). The required contribution was determined as part of the February 28, 2001 and/or February 28, 2002 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

- (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually;
- (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation;
- (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit;
- (d) preretirement mortality based on the 1983 Group Annuity Mortality table; and
- (e) postretirement mortality based on the 1971 Group Annuity Mortality table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2003 was 15 years.

(10) Reimbursement of Employee Contributions to LAGERS

As allowed by Missouri state statutes, the City refunded the accumulated contributions of the City's employees and elected to reimburse LAGERS over a 15-year period ending 2008. The amount of the annual reimbursement to LAGERS from the City is approximately \$522,000; however, this figure will be adjusted annually based on changes in actuarial assumptions. Amounts reimbursed are reported as expenditures/expenses of each fund for the year in which they are paid to LAGERS. Reimbursement will be made from the General, Power and Light, Water, and Sanitary Sewer major funds, and two nonmajor funds: Tourism and Community Development Grant Act.

A separate Internal Service Fund entitled "Employee Benefits" was established to account for the increased cost ensuing from the refund of contributions to employees. The City's enterprise funds (listed above) provided an actuarially determined initial contribution of \$3,237,699 to the fund, which prepaid the entire portion of their obligation. The Employee Benefits Fund is remitting these monies to LAGERS over 15

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

years and has a balance of \$1,007,187 at June 30, 2003. The governmental funds contribute actuarially determined amounts based on annual payroll contributions.

(11) Postretirement Health Benefits

In addition to the pension benefits described in note 9, the City provides postretirement healthcare benefits to all retiring employees meeting the service criteria. Expenditures for postretirement healthcare benefits are recognized as retirees report their claims. During fiscal year 2002-2003, expenditures of approximately \$2,843,058 were recognized for postretirement healthcare. The City has approximately 572 participants currently eligible to receive benefits.

(12) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As a result, there are a number of claims and/or lawsuits to which the City is a party as a result of certain law enforcement activities, injuries, and various other matters and complaints arising in the ordinary course of City activities. The City is entitled to the defense of sovereign and official immunity against tort action that provides immunity except in two areas – motor vehicles and the condition of property of governmental entities. The City carries commercial property, boiler and machinery, life, and flood insurance, and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). MOPERM is a body corporate and politic created by the Missouri General Assembly to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, and automobile liability insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$10,000,000 per accident, covers specific medical claims in excess of \$500,000 per occurrence. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain an escrow account in the amount of \$835,000. This amount is reflected as restricted assets in the General, Power and Light, Water, and Sanitary Sewer Funds, and the General Fund amount is reflected as a designated fund balance. Workers' compensation liabilities were immaterial at June 30, 2003.

The City offers its employees a contributory self-insurance healthcare plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$150,000 and aggregate claims in excess of \$12,745,610. The portion of premiums paid by the City, totaling \$8,901,352 are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Claims incurred but not reported are accrued as a liability in the Internal Service Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

The claims liability of \$799,270 reported in the Staywell Health Care Fund at June 30, 2003 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	Medical claims payable	
	<u>2003</u>	<u>2002</u>
Beginning of year	\$ 745,108	735,315
Incurred	9,646,651	9,017,768
Paid	<u>(9,592,489)</u>	<u>(9,007,975)</u>
End of year	<u>\$ 799,270</u>	<u>745,108</u>

(13) Commitments

Construction Commitments

At June 30, 2003, the City had commitments of approximately \$31,412,322 to complete construction contracts. Of this amount, \$27,303,817 relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a significant portion of its energy needs under a capacity purchase agreement with Kansas City Power & Light (KCPL). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2005 at contract-specified pricing for the capacity and associated energy. After May 31, 2005, the agreement provides the City an option to extend the purchase in amounts of 20 MW to 90 MW of capacity for the six-year period ending May 31, 2011 with the same terms and conditions, except that the current capacity price of \$84 per kilowatt-year is to be negotiated up to the contract-specified maximum price of \$126 per kilowatt-year. The City exercised this extension option for a capacity amount of 90 MW, and the parties agreed to seek the Federal Energy Regulatory Commission determination on the appropriate capacity price. The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately \$16,800,000 for fiscal year 2003. The projected annual cost of the KCPL agreement for fiscal year 2004 is estimated at approximately \$16,415,000.

(14) Deficits

The accumulated deficits in nonmajor funds in the amounts of \$3,820 in the Community Development Grant Act (Special Revenue) Fund; \$1,019 in the Buildings and Other Improvements, \$143,298 in the RSO Redevelopment TIF, and \$89,882 in the Mount Washington TIF (Capital Projects) Funds will be eliminated by future revenues or operating transfers.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2003

(15) Fund Equity

Reserved and designated fund balances at year-end are as follows:

	<u>Governmental fund types</u>		<u>Permanent</u>
	<u>General</u>	<u>Nonmajor</u>	<u>fund</u>
Fund balances:			
Reserved for:			
Encumbrances	\$ 1,452,875	5,001,172	—
Debt service	224,827	6,091,394	—
Protested revenues	254,202	—	—
Advance TIF funds	87,549	—	—
Domestic violence	15,585	—	—
Total fund balances reserved	<u>2,035,038</u>	<u>11,092,566</u>	<u>—</u>
Unreserved:			
Designated for:			
Police equipment	234,487	—	—
Workers' compensation (note 12)	388,000	—	—
Capital projects	539,682	3,697,902	5,000
Strategic goal	332,447	—	—
TIF distribution	1,016,087	—	—
Total fund balances designated	<u>2,510,703</u>	<u>3,697,902</u>	<u>5,000</u>
Undesignated	<u>413,564</u>	<u>7,134,767</u>	<u>8,160</u>
Total fund equity	<u>\$ 4,959,305</u>	<u>21,925,235</u>	<u>13,160</u>

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2003

	Budgeted amounts		Actual amounts (budget basis)	Variance with final budget favorable (unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 32,122,084	32,122,084	29,910,437	(2,211,647)
Licenses and permits	4,170,835	4,170,835	3,599,600	(571,235)
Grants – federal and state	452,322	2,687,673	2,029,749	(657,924)
State and county shared revenue	5,657,042	5,697,068	5,417,432	(279,636)
Charges for current services	1,172,388	1,395,105	1,499,650	104,545
Interfund charges for support services	2,624,650	2,624,650	2,704,534	79,884
Fines and forfeitures	3,429,401	3,429,401	3,502,074	72,673
Other revenue	589,323	782,159	964,649	182,490
Total revenues	50,218,045	52,908,975	49,628,125	(3,280,850)
Other financing sources:				
Proceeds from capital leases	—	36,886	36,885	(1)
Payments in lieu of taxes	9,315,089	9,315,089	9,386,705	71,616
Total other financing sources	9,315,089	9,351,975	9,423,590	71,615
Total revenues and other financing resources	59,533,134	62,260,950	59,051,715	(3,209,235)
Expenditures:				
City Council	386,187	394,886	392,368	2,518
City Clerk	440,811	450,392	383,240	67,152
City Manager	802,226	824,643	806,083	18,560
National Frontier Trails Center	321,721	330,042	314,869	15,173
Technology services	1,509,725	1,546,243	1,502,871	43,372
Municipal court	626,324	635,209	582,404	52,805
Law	647,629	669,050	647,706	21,344
Finance	1,547,504	1,601,081	1,528,095	72,986
Human resources	467,930	476,903	439,918	36,985
Community development	2,210,420	2,243,930	2,123,209	120,721
Police	17,475,034	19,477,746	19,477,743	3
Fire	12,698,517	13,080,423	13,080,394	29
Health	2,309,753	2,445,225	2,294,428	150,797
Public works	6,518,640	6,633,352	6,152,763	480,589
Water pollution control	313,990	317,060	274,389	42,671
Parks and recreation	2,375,481	2,417,727	2,378,535	39,192
Nondepartmental	6,380,919	5,599,579	5,575,678	23,901
Ice storm disaster response	—	—	21,150	(21,150)
City Council strategic goals	400,000	679,004	346,557	332,447
Debt service	299,308	141,903	141,902	1
Capital outlay	1,804,861	1,915,529	853,152	1,062,377
Total expenditures	59,536,980	61,879,927	59,317,454	2,562,473
Other financing uses – operating transfers out	190,445	1,025,455	1,036,671	(11,216)
Total expenditures and other financing uses	59,727,425	62,905,382	60,354,125	2,551,257
Excess of revenue and other financing resources over expenditures and other financing uses	\$ (194,291)	(644,432)	(1,302,410)	(5,760,492)
Undesignated fund balance at beginning of year			1,965,621	
Cancellation of prior year encumbrances			388,739	
Decrease in other fund balance components during the year			(638,386)	
Undesignated fund balance at end of year			\$ 413,564	

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedule

Year ended June 30, 2003

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the accompanying government-wide financial statements:

- Prior to May 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 27, the City Council adopts the budget. If the City Council fails to adopt the budget on or before that date, the budget, as submitted or amended, goes into effect.
- The City Manager is authorized to transfer budgeted amounts between divisions of a department within any fund; however, any revisions that alter the total appropriations within any fund, or that transfer appropriations between departments, must be approved by the City Council. The 2002-2003 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for all funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General and Tourism Special Revenue Governmental Funds. Annual operating budgets are not prepared for Capital Projects Funds and the other Special Revenue Funds, although budgets on a project basis are prepared. Therefore, these funds have been omitted from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis).

The City's policy is to prepare the annual operating budget on a basis which includes encumbrances as the equivalent of expenditures. The budgetary comparison schedules are prepared on this basis. Certain reclassifications between budgeted revenues and transfers have been made to facilitate the comparison with actual operations.

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedule

Year ended June 30, 2003

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, Private-purpose Trust Funds, and Permanent Funds does not include encumbrances outstanding at year-end as expenditures because encumbrances are reported as reservations of fund balances in accordance with GAAP for the modified accrual basis of accounting. Adjustments necessary to convert the results of operations under the modified accrual basis to the budget basis are included as reconciling items on the following budget-basis statement:

	General Fund
	<u> </u>
Sources/inflows in resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 49,628,125
Basis difference – budget to GAAP – none	<u> —</u>
Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>49,628,125</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 59,317,454
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget	(728,058)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>1,560,549</u>
Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	\$ <u><u>60,149,945</u></u>

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Funding Progress and Employer Contributions
 Retirement Plan

Schedule of Funding Progress:

Actuarial valuation date	(a) Actuarial value of assets	(b) Entry-age actuarial accrued liability	(b) - (a) Unfunded (assets in excess of) accrued liability (UAL)	(a)/(b) Funded ratio	(c) Annual covered payroll	(b) - (a)/(c) UAL as a percentage of covered payroll
February 28, 2001	\$ 120,920,566	92,684,032	(28,236,534)	130 %	\$ 46,724,586	N/A
February 28, 2002	128,939,351	120,906,429	(8,032,922)	107	49,980,158	N/A
February 28, 2003	127,457,211	128,121,618	664,407	99	52,648,086	1

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS's office in Jefferson City.

Schedule of Employer Contributions:

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
6/30/2001	\$ 4,024,181	100 %	—
6/30/2002	4,347,515	100	—
6/30/2003	3,897,577	100	—

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Tourism – This fund is used to account for expenditures for tourism that are financed out of the transient guest tax.

Independence Square Benefit District – This fund is used to account for expenditures to improve the City's downtown business district that are financed by a special property tax levy on those businesses which are benefited.

Community Development Grant Act – This fund is used to account for all projects that are funded by the Federal Community Development Block Grant.

Rental Rehabilitation – This fund is used to account for expenditures to improve rental property within the City that are funded by state and federal grants.

Street Improvement Sales Tax – This fund is used to account for all street projects that are funded by the three-eighths cent street improvement sales tax.

Park Improvement Sales Tax – This fund is used to account for all park projects that are funded by the one-eighth cent park improvement sales tax.

Storm Water Sales Tax – This fund is used to account for all storm water projects that are funded by the one-fourth cent storm water sales tax.

License Surcharge – This fund is used to account for street improvements funded by an excise tax that is based on increased traffic flow relating to new development.

Capital Projects Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary funds or trust funds.

Street Improvements – This fund is used to account for construction projects financed, the 1974 Street Bond issue, interest derived thereon, and state and federal grants.

Revolving Public Improvements – This fund, which is legally mandated by City Charter, is used to account for the cost of public works or improvements funded by special assessments.

Tax Increment Financing – These funds are used to account for activity in association with tax increment financing agreements entered into by the City. Revenues are the result of additional or incremental revenues generated by the development area, and disbursements are the return of these monies in fulfillment of the obligations established by the agreement.

Building and Other Improvements – This fund is used to account for the acquisition, construction, and improvement of nonproprietary buildings and facilities of the City.

Storm Drainage – This fund is used to account for the acquisition and construction of the City's infrastructure to control the run-off surface water.

Park Improvements – This fund is used to account for the acquisition and construction of the City's parkland.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Waggoner Memorial – This fund is used to account for citizen donations, the interest on which is used for maintenance for the Memorial Building.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2003

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 17)	Permanent fund	Total nonmajor governmental funds
Pooled cash and investments	\$ 8,246,027	2,002,301	13,160	10,261,488
Receivables:				
Taxes	1,754,005	15,023	—	1,769,028
Accounts	8,443	899,539	—	907,982
Special assessment principal and accrued interest	—	688,949	—	688,949
Accrued interest	2,118	—	—	2,118
Due from other funds	1,306,392	390,934	—	1,697,326
Due from other governments	329,975	2,693,659	—	3,023,634
Restricted assets	11,115	9,425,788	—	9,436,903
Total assets	<u>\$ 11,658,075</u>	<u>16,116,193</u>	<u>13,160</u>	<u>27,787,428</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 629,188	256,325	—	885,513
Due to other funds	558,962	2,849,366	—	3,408,328
Accrued items	30,844	—	—	30,844
Other current liabilities	56,615	372,700	—	429,315
Advances from other funds	30,711	154,699	—	185,410
Deferred revenue	—	909,623	—	909,623
Total liabilities	<u>1,306,320</u>	<u>4,542,713</u>	<u>—</u>	<u>5,849,033</u>
Fund balances:				
Reserved for:				
Encumbrances	4,017,057	984,115	—	5,001,172
Other purposes	10,317	6,081,077	—	6,091,394
Unreserved, reported in:				
Special Revenue Funds	5,971,191	—	—	5,971,191
Capital Projects Funds	—	1,163,576	—	1,163,576
Permanent fund	—	—	8,160	8,160
Designated Special Revenue Funds	353,190	—	—	353,190
Designated Capital Projects Funds	—	3,344,712	—	3,344,712
Designated permanent fund	—	—	5,000	5,000
Total fund balances	<u>10,351,755</u>	<u>11,573,480</u>	<u>13,160</u>	<u>21,938,395</u>
Total liabilities and fund balances	<u>\$ 11,658,075</u>	<u>16,116,193</u>	<u>13,160</u>	<u>27,787,428</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2003

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 18)	Permanent fund	Total nonmajor governmental funds
Revenues:				
Taxes	\$ 12,815,573	4,383,845	—	17,199,418
Licenses and permits	716,028	—	—	716,028
Intergovernmental	1,337,940	1,117,153	—	2,455,093
Charges for services	1,015	19,158	—	20,173
Investment income	97,759	170,759	194	268,712
Other	98,729	(289,932)	—	(191,203)
Total revenues	<u>15,067,044</u>	<u>5,400,983</u>	<u>194</u>	<u>20,468,221</u>
Expenditures:				
Current:				
Public works	5,389	—	—	5,389
Culture and recreation	1,159,601	—	—	1,159,601
Community development	1,101,826	—	—	1,101,826
Storm water	710,979	—	—	710,979
Capital outlay	8,127,630	7,775,371	—	15,903,001
Debt service:				
Principal	64,305	1,451,102	—	1,515,407
Interest and fiscal agent fees	63,007	2,728,843	—	2,791,850
Total expenditures	<u>11,232,737</u>	<u>11,955,316</u>	<u>—</u>	<u>23,188,053</u>
Excess (deficiency) of revenues over expenditures	<u>3,834,307</u>	<u>(6,554,333)</u>	<u>194</u>	<u>(2,719,832)</u>
Other financing sources (uses):				
Proceeds from capital leases/bond issuance	—	3,480,000	—	3,480,000
Operating transfers in	243,957	1,573,370	—	1,817,327
Operating transfers out	(637,527)	(195,857)	—	(833,384)
Total other financing sources (uses)	<u>(393,570)</u>	<u>4,857,513</u>	<u>—</u>	<u>4,463,943</u>
Net change in fund balances	3,440,737	(1,696,820)	194	1,744,111
Fund balances, beginning	6,911,018	13,270,300	12,966	20,194,284
Fund balances, ending	<u>\$ 10,351,755</u>	<u>11,573,480</u>	<u>13,160</u>	<u>21,938,395</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2003

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total
Assets									
Pooled cash and investments	\$ 186,169	212	—	1	448,594	1,277,486	5,329,444	1,004,121	8,246,027
Receivables:									
Taxes	54,000	11,590	—	—	855,384	285,461	547,570	—	1,754,005
Accounts	8,443	—	—	—	—	—	—	—	8,443
Accrued interest	—	—	—	—	—	—	2,118	—	2,118
Due from other funds	152,672	—	—	—	—	861,924	291,796	—	1,306,392
Due from other governments	19,569	—	96,929	144,824	—	—	68,653	—	329,975
Restricted assets	—	—	—	—	—	11,115	—	—	11,115
Total assets	\$ 420,853	11,802	96,929	144,825	1,303,978	2,435,986	6,239,581	1,004,121	11,658,075
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	\$ 17,316	—	22,733	6,000	325,913	65,480	191,746	—	629,188
Due to other funds	—	—	72,497	80,175	—	390,934	15,356	—	558,962
Accrued items	5,993	—	5,519	2,031	—	9,021	8,280	—	30,844
Other current liabilities	—	—	—	56,615	—	—	—	—	56,615
Advances from other funds	—	—	—	—	—	—	30,711	—	30,711
Total liabilities	23,309	—	100,749	144,821	325,913	465,435	246,093	—	1,306,320
Fund balances:									
Reserved for:									
Encumbrances	30,303	—	403,474	339,572	1,561,471	89,002	1,593,235	—	4,017,057
Other purposes	—	—	—	—	—	10,317	—	—	10,317
Unreserved, reported in:									
Special Revenue Funds	355,229	11,802	(407,294)	(339,568)	(583,406)	1,870,434	4,059,873	1,004,121	5,971,191
Designated Special Revenue Funds	12,012	—	—	—	—	798	340,380	—	353,190
Total fund balances	397,544	11,802	(3,820)	4	978,065	1,970,551	5,993,488	1,004,121	10,351,755
Total liabilities and fund balances	\$ 420,853	11,802	96,929	144,825	1,303,978	2,435,986	6,239,581	1,004,121	11,658,075

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year ended June 30, 2003

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Total
Revenues:									
Taxes	\$ 680,605	21,727	—	—	6,145,346	2,048,450	3,919,445	—	12,815,573
Licenses and permits	—	—	—	—	—	—	—	716,028	716,028
Intergovernmental	55,741	—	922,979	290,015	—	—	69,205	—	1,337,940
Charges for services	1,015	—	—	—	—	—	—	—	1,015
Investment income	4,049	172	—	—	12,884	7,604	64,623	8,427	97,759
Other	2,413	—	—	—	—	4,695	91,621	—	98,729
Total revenues	<u>743,823</u>	<u>21,899</u>	<u>922,979</u>	<u>290,015</u>	<u>6,158,230</u>	<u>2,060,749</u>	<u>4,144,894</u>	<u>724,455</u>	<u>15,067,044</u>
Expenditures:									
Current:									
Public works	—	—	—	—	5,389	—	—	—	5,389
Culture and recreation	562,104	—	—	—	—	597,497	—	—	1,159,601
Community development	—	—	811,811	290,015	—	—	—	—	1,101,826
Storm water	—	—	—	—	—	—	710,979	—	710,979
Capital outlay	—	22,795	—	—	5,122,260	1,028,023	1,954,552	—	8,127,630
Debt service:									
Principal	—	—	—	—	—	—	64,305	—	64,305
Interest and fiscal agent fees	—	—	—	—	667	51,638	10,702	—	63,007
Total expenditures	<u>562,104</u>	<u>22,795</u>	<u>811,811</u>	<u>290,015</u>	<u>5,128,316</u>	<u>1,677,158</u>	<u>2,740,538</u>	<u>—</u>	<u>11,232,737</u>
Excess (deficiency) of revenues over expenditures	<u>181,719</u>	<u>(896)</u>	<u>111,168</u>	<u>—</u>	<u>1,029,914</u>	<u>383,591</u>	<u>1,404,356</u>	<u>724,455</u>	<u>3,834,307</u>
Other financing sources (uses):									
Transfers in	—	—	—	—	—	—	243,957	—	243,957
Transfers out	—	—	(111,168)	—	(6,858)	(393,220)	(4,572)	(121,709)	(637,527)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(111,168)</u>	<u>—</u>	<u>(6,858)</u>	<u>(393,220)</u>	<u>239,385</u>	<u>(121,709)</u>	<u>(393,570)</u>
Net change in fund balances	<u>181,719</u>	<u>(896)</u>	<u>—</u>	<u>—</u>	<u>1,023,056</u>	<u>(9,629)</u>	<u>1,643,741</u>	<u>602,746</u>	<u>3,440,737</u>
Fund balances, beginning	<u>215,825</u>	<u>12,698</u>	<u>(3,820)</u>	<u>4</u>	<u>(44,991)</u>	<u>1,980,180</u>	<u>4,349,747</u>	<u>401,375</u>	<u>6,911,018</u>
Fund balances, ending	<u>\$ 397,544</u>	<u>11,802</u>	<u>(3,820)</u>	<u>4</u>	<u>978,065</u>	<u>1,970,551</u>	<u>5,993,488</u>	<u>1,004,121</u>	<u>10,351,755</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2003

	Budgeted amounts		Actual amounts (budget basis)	Variance with final budget favorable (unfavorable)	2002 actual
	Original	Final			
Revenues:					
Transient guest taxes	\$ 803,765	—	680,605	680,605	471,450
Interest	7,686	—	4,049	4,049	—
Grants – federal, state, and local	—	—	55,741	55,741	43,772
Other revenue	—	—	3,428	3,428	34,583
Total revenues	811,451	—	743,823	743,823	549,805
Expenditures:					
Tourism	597,789	—	549,233	(549,233)	473,694
Total expenditures	597,789	—	549,233	(549,233)	473,694
Excess of revenues and other financing resources over expenditures and other financing uses	\$ 213,662	—	194,590	194,590	76,111
Undesignated fund balance at beginning of year			172,425		88,335
Cancellation of prior year encumbrances			226		7,979
Increase in other fund balance components during the year (1)			(12,012)		—
Undesignated fund balance at end of year			\$ 355,229		172,425

- (1) This amount represents transactions included in the excess of revenues and other financing resources over expenditures and other financing uses amount listed above that affected fund balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the undesignated fund balance account to other fund balance component accounts.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2003

	<u>Tourism Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 743,823
Basis differences – budget to GAAP – none	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 743,823</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 549,233
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(30,158)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>43,029</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 562,104</u>

- (1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

See accompanying independent auditors’ report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2003

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing (Exhibit 19)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ —	41,636	1,960,364	300	1	—	2,002,301
Receivables:							
Taxes	—	—	15,023	—	—	—	15,023
Accounts	—	—	573,030	41,268	—	285,241	899,539
Special assessment principal and accrued interest	688,949	—	—	—	—	—	688,949
Due from other funds	—	—	—	—	—	390,934	390,934
Due from other governments	1,486,729	—	127,232	533,774	295,924	250,000	2,693,659
Restricted assets	—	—	9,425,788	—	—	—	9,425,788
Total assets	<u>\$ 2,175,678</u>	<u>41,636</u>	<u>12,101,437</u>	<u>575,342</u>	<u>295,925</u>	<u>926,175</u>	<u>16,116,193</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	\$ 169,693	—	23,767	7,785	1,005	54,075	256,325
Due to other funds	992,722	—	134,348	568,576	291,796	861,924	2,849,366
Other current liabilities	—	—	372,700	—	—	—	372,700
Deferred revenue	909,623	—	—	—	—	—	909,623
Advances from other funds	—	—	154,699	—	—	—	154,699
Total liabilities	<u>2,072,038</u>	<u>—</u>	<u>685,514</u>	<u>576,361</u>	<u>292,801</u>	<u>915,999</u>	<u>4,542,713</u>
Fund balances (deficit):							
Reserved for:							
Encumbrances	589,216	—	56,504	193,934	29,000	115,461	984,115
Other purposes	—	—	6,081,077	—	—	—	6,081,077
Unreserved, reported in:							
Capital Projects Funds	(485,576)	41,636	1,933,630	(194,953)	(25,876)	(105,285)	1,163,576
Designated Capital Projects Funds	—	—	3,344,712	—	—	—	3,344,712
Total fund balances (deficit)	<u>103,640</u>	<u>41,636</u>	<u>11,415,923</u>	<u>(1,019)</u>	<u>3,124</u>	<u>10,176</u>	<u>11,573,480</u>
Total liabilities and fund balances (deficit)	<u>\$ 2,175,678</u>	<u>41,636</u>	<u>12,101,437</u>	<u>575,342</u>	<u>295,925</u>	<u>926,175</u>	<u>16,116,193</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Nonmajor Capital Projects Funds

Year ended June 30, 2003

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing (Exhibit 20)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:							
Taxes	\$ —	—	4,383,845	—	—	—	4,383,845
Intergovernmental	430,939	—	—	447,515	3,937	234,762	1,117,153
Charges for services	(842)	—	20,000	—	—	—	19,158
Investment income	(8,573)	2,079	177,253	—	—	—	170,759
Other	5,180	—	37,420	20,692	—	(353,224)	(289,932)
Total revenues	426,704	2,079	4,618,518	468,207	3,937	(118,462)	5,400,983
Expenditures:							
Capital outlay	884,688	—	5,490,713	538,903	4,896	856,171	7,775,371
Debt service:							
Principal	—	—	1,451,102	—	—	—	1,451,102
Interest and fiscal agent fees	—	—	2,728,843	—	—	—	2,728,843
Total expenditures	884,688	—	9,670,658	538,903	4,896	856,171	11,955,316
Excess (deficiency) of revenues over expenditures	(457,984)	2,079	(5,052,140)	(70,696)	(959)	(974,633)	(6,554,333)
Other financing sources (uses):							
Proceeds from capital leases/bond issuance	—	—	3,480,000	—	—	—	3,480,000
Transfers in	481,156	—	32,004	70,696	883	988,631	1,573,370
Transfers out	—	(195,857)	—	—	—	—	(195,857)
Total other financing sources (uses)	481,156	(195,857)	3,512,004	70,696	883	988,631	4,857,513
Net change in fund balances	23,172	(193,778)	(1,540,136)	—	(76)	13,998	(1,696,820)
Fund balances (deficit), beginning	80,468	235,414	12,956,059	(1,019)	3,200	(3,822)	13,270,300
Fund balances (deficit), ending	\$ 103,640	41,636	11,415,923	(1,019)	3,124	10,176	11,573,480

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Subcombining Balance Sheet

Nonmajor TIF Funds

June 30, 2003

	Midtown Truman	Crossings	RSO	Bolger Square	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	TIF App Fees	Total (Exhibit 17)
Assets												
Pooled cash and investments	\$ 472,276	—	38,786	308,615	241,403	1	9,543	847,279	3	12,626	29,832	1,960,364
Receivables:												
Taxes	—	—	—	—	12,666	—	—	2,357	—	—	—	15,023
Accounts	—	—	—	573,000	—	—	—	—	—	—	30	573,030
Due from other governments	—	—	—	40,154	—	13,138	—	72,440	—	1,500	—	127,232
Restricted assets	—	—	—	848,782	2,418,751	1,657,399	—	4,500,856	—	—	—	9,425,788
Total assets	\$ 472,276	—	38,786	1,770,551	2,672,820	1,670,538	9,543	5,422,932	3	14,126	29,862	12,101,437
Liabilities and Fund Balances												
Liabilities:												
Accounts and contracts payable	\$ —	—	—	—	—	21,659	—	994	—	—	1,114	23,767
Due to other funds	—	—	—	—	—	134,348	—	—	—	—	—	134,348
Other current liabilities	86,608	—	182,084	—	—	—	—	—	—	104,008	—	372,700
Advances from other funds	—	—	—	—	—	154,699	—	—	—	—	—	154,699
Total liabilities	86,608	—	182,084	—	—	310,706	—	994	—	104,008	1,114	685,514
Fund balances:												
Reserved for:												
Encumbrances	—	—	—	—	540	27,764	—	19,125	—	—	9,075	56,504
Other purposes	—	—	—	725,098	1,816,391	1,187,719	—	2,351,869	—	—	—	6,081,077
Unreserved, reported in:												
Capital Projects Funds	385,668	—	(143,298)	921,768	253,529	(325,331)	9,543	901,957	3	(89,882)	19,673	1,933,630
Designated Capital Projects Funds	—	—	—	123,685	602,360	469,680	—	2,148,987	—	—	—	3,344,712
Total fund balances (deficit)	385,668	—	(143,298)	1,770,551	2,672,820	1,359,832	9,543	5,421,938	3	(89,882)	28,748	11,415,923
Total liabilities and fund balances (deficit)	\$ 472,276	—	38,786	1,770,551	2,672,820	1,670,538	9,543	5,422,932	3	14,126	29,862	12,101,437

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Subcombining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
 Nonmajor TIF Funds
 Year ended June 30, 2003

	Midtown Truman	Crossings	RSO	Bolger Square	Sante Fe	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	TIF App Fees	Total (Exhibit 18)
Revenues:												
Taxes	\$ 384,946	415,923	297,601	876,405	20,073	695,533	9,520	1,644,620	23,465	15,759	—	4,383,845
Charges for services	—	—	—	—	—	—	—	—	—	—	20,000	20,000
Investment income	6,674	5,800	1,373	18,166	40,854	23,689	70	79,668	104	234	621	177,253
Other	—	—	—	—	37,420	—	—	—	—	—	—	37,420
Total revenues	391,620	421,723	298,974	894,571	98,347	719,222	9,590	1,724,288	23,569	15,993	20,621	4,618,518
Expenditures:												
Capital outlay	2,345	413,507	578,421	7,898	387,029	106,494	47	3,830,332	23,566	116,150	24,924	5,490,713
Debt service:												
Principal	—	—	—	510,000	—	341,102	—	600,000	—	—	—	1,451,102
Interest and fiscal agent fees	—	—	—	304,845	527,091	693,051	—	1,203,856	—	—	—	2,728,843
Total expenditures	2,345	413,507	578,421	822,743	914,120	1,140,647	47	5,634,188	23,566	116,150	24,924	9,670,658
Excess (deficiency) of revenues over expenditures	389,275	8,216	(279,447)	71,828	(815,773)	(421,425)	9,543	(3,909,900)	3	(100,157)	(4,303)	(5,052,140)
Other financing sources:												
Proceeds from capital leases/bond issuance	—	—	—	—	—	—	—	3,480,000	—	—	—	3,480,000
Transfers in	—	—	—	—	32,004	—	—	—	—	—	—	32,004
Total other financing sources	—	—	—	—	32,004	—	—	3,480,000	—	—	—	3,512,004
Net change in fund balances	389,275	8,216	(279,447)	71,828	(783,769)	(421,425)	9,543	(429,900)	3	(100,157)	(4,303)	(1,540,136)
Fund balances (deficit), beginning	(3,607)	(8,216)	136,149	1,698,723	3,456,589	1,781,257	—	5,851,838	—	10,275	33,051	12,956,059
Fund balances (deficit), ending	\$ 385,668	—	(143,298)	1,770,551	2,672,820	1,359,832	9,543	5,421,938	3	(89,882)	28,748	11,415,923

See accompanying independent auditors' report.

Internal Service Funds

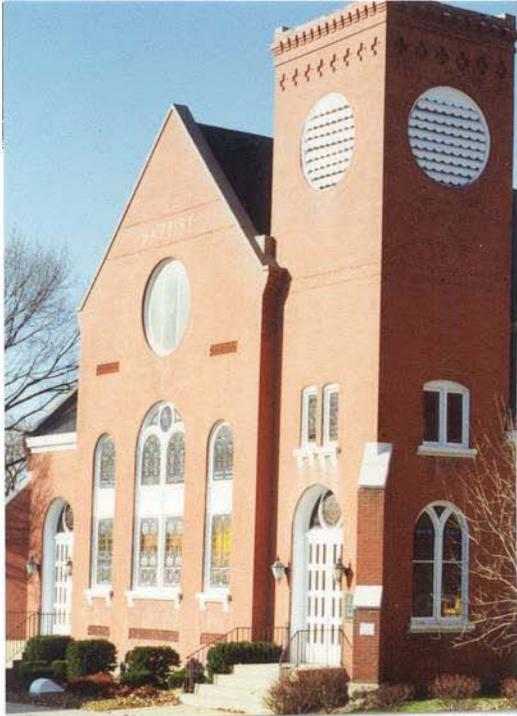
Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units on a cost-reimbursement basis.

Central Garage – This fund is used to account for costs of maintenance of the City’s fleet of vehicles and mobile equipment and related charges to other departments.

Employee Benefits – This fund is used to account for all financial activity associated with the reimbursement to the Missouri Local Government Employees Retirement System (LAGERS) for the refunding of employee contributions made to the system.

Staywell Health Care – This fund is used to account for the costs of the City’s self-insured healthcare plan.

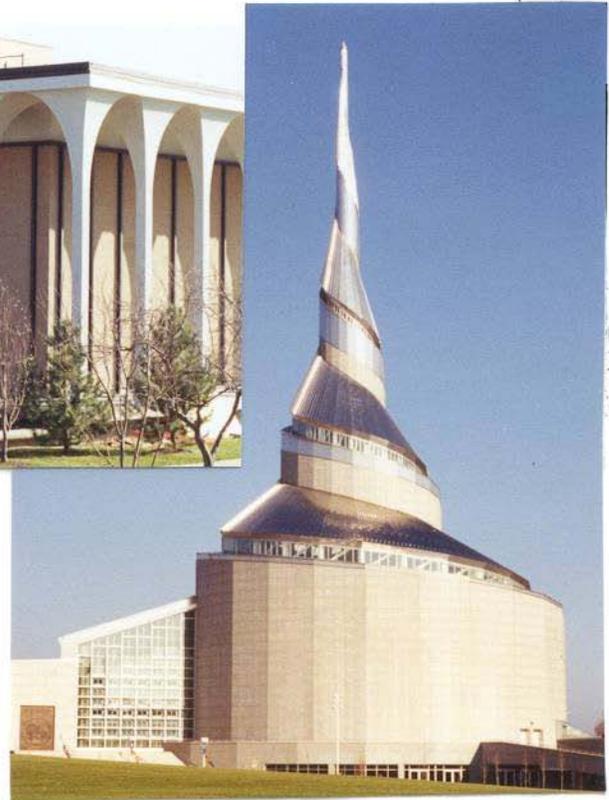
*Below: First Baptist Church
500 W. Truman Road*



*Above: Stone Church, 1888
1012 W. Lexington*



*Above: Mormon Visitor's Center
931 W. Walnut*



*Right: RLDS Temple
River and Walnut*

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2003

Assets	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 5)
Current assets:				
Pooled cash and investments	\$ 156,859	918,852	1,304,269	2,379,980
Accounts receivable	365	—	—	365
Accrued interest receivable	—	471	—	471
Inventory	70,920	—	—	70,920
Total current assets	<u>228,144</u>	<u>919,323</u>	<u>1,304,269</u>	<u>2,451,736</u>
Noncurrent assets:				
Property, plant, and equipment:				
Land	93,979	—	—	93,979
Depreciable property, plant, and equipment	242,304	—	—	242,304
Less accumulated depreciation	(231,119)	—	—	(231,119)
Total noncurrent assets	<u>105,164</u>	<u>—</u>	<u>—</u>	<u>105,164</u>
Total assets	<u>\$ 333,308</u>	<u>919,323</u>	<u>1,304,269</u>	<u>2,556,900</u>
Liabilities				
Current liabilities:				
Accounts and contracts payable	\$ 19,556	—	1,125	20,681
Accrued liabilities	14,188	—	—	14,188
Compensated absences – current	20,235	—	—	20,235
Employee benefits payable	—	1,007,187	—	1,007,187
Medical self-insurance claims	—	—	799,270	799,270
Total current liabilities	<u>53,979</u>	<u>1,007,187</u>	<u>800,395</u>	<u>1,861,561</u>
Noncurrent liabilities:				
Compensated absences – long-term	31,123	—	—	31,123
Total liabilities	<u>85,102</u>	<u>1,007,187</u>	<u>800,395</u>	<u>1,892,684</u>
Net Assets				
Invested in capital assets, net of related debt	105,164	—	—	105,164
Unrestricted	143,042	(87,864)	503,874	559,052
Total net assets (deficit)	<u>248,206</u>	<u>(87,864)</u>	<u>503,874</u>	<u>664,216</u>
Total liabilities and net assets (deficit)	<u>\$ 333,308</u>	<u>919,323</u>	<u>1,304,269</u>	<u>2,556,900</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

Year ended June 30, 2003

	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 6)
Operating revenues:				
Charges for services	\$ 1,217,722	—	—	1,217,722
Miscellaneous	—	—	10,192,015	10,192,015
Total operating revenues	<u>1,217,722</u>	<u>—</u>	<u>10,192,015</u>	<u>11,409,737</u>
Operating expenses:				
Personal services	471,518	—	—	471,518
Other services	239,920	—	9,647,290	9,887,210
Supplies	480,376	—	487	480,863
Capital outlay	1,030	—	—	1,030
Depreciation and amortization	5,268	—	—	5,268
Total operating expenses	<u>1,198,112</u>	<u>—</u>	<u>9,647,777</u>	<u>10,845,889</u>
Operating income	<u>19,610</u>	<u>—</u>	<u>544,238</u>	<u>563,848</u>
Nonoperating revenues:				
Interest revenue	2,304	16,469	20,431	39,204
Miscellaneous revenue	7,216	—	—	7,216
Total nonoperating revenue	<u>9,520</u>	<u>16,469</u>	<u>20,431</u>	<u>46,420</u>
Income before transfers	29,130	16,469	564,669	610,268
Transfers in	—	36,259	—	36,259
Change in net assets	29,130	52,728	564,669	646,527
Total net assets (deficit):				
Beginning of the period	219,076	(140,592)	(60,795)	17,689
End of the period	<u>\$ 248,206</u>	<u>(87,864)</u>	<u>503,874</u>	<u>664,216</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2003

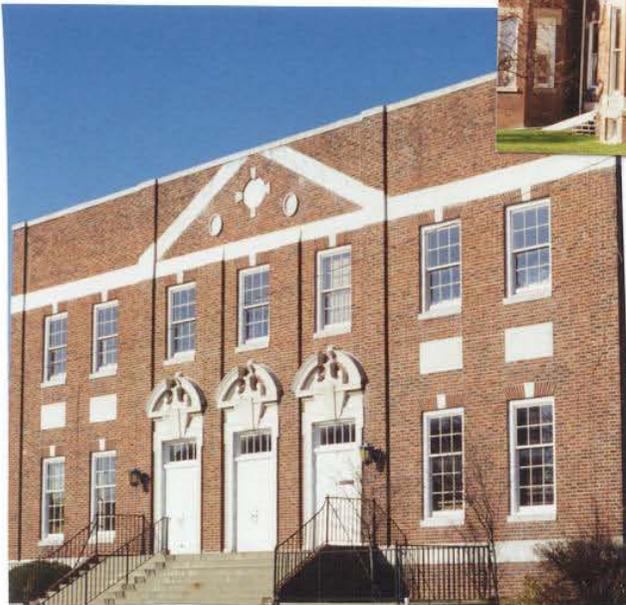
	Internal Service Funds			Total (Exhibit 7)
	Central Garage	Employee Benefits	Staywell Health Care	
Cash flows from operations:				
Receipts from customers	\$ 1,217,357	—	10,192,014	11,409,371
Payments to suppliers	(711,949)	(215,856)	(9,592,489)	(10,520,294)
Payments to employees	(510,676)	—	—	(510,676)
Net cash provided by (used in) operating activities	(5,268)	(215,856)	599,525	378,401
Cash flows from noncapital financing activities:				
Transfers in	—	36,259	—	36,259
Nonoperating revenues	7,216	—	—	7,216
Net cash provided by noncapital financing activities	7,216	36,259	—	43,475
Cash flows from investing activities:				
Purchases of investments	—	(5,492,809)	—	(5,492,809)
Proceeds from sales and maturities of investments	—	5,987,310	—	5,987,310
Interest on investments	2,309	19,015	20,430	41,754
Net cash provided by investing activities	2,309	513,516	20,430	536,255
Net increase in cash and cash equivalents	4,257	333,919	619,955	958,131
Cash and cash equivalents at beginning of year	152,602	85,615	684,314	922,531
Cash and cash equivalents at end of year	156,859	419,534	1,304,269	1,880,662
Investments with original maturities greater than 90 days	—	499,318	—	499,318
Cash and investments	\$ 156,859	918,852	1,304,269	2,379,980
Components of cash and short-term investments at end of fiscal year:				
Unrestricted assets	\$ 156,859	918,852	1,304,269	2,379,980
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 19,610	—	544,238	563,848
Adjustments not affecting cash:				
Depreciation and amortization	5,268	—	—	5,268
Change in assets and liabilities:				
Accounts receivable	(365)	—	—	(365)
Inventory	13,067	—	—	13,067
Accounts and contracts payable	(3,693)	—	1,125	(2,568)
Accrued liabilities	473	—	—	473
Other current liabilities	(5)	(215,856)	54,162	(161,699)
Compensated absences	(39,623)	—	—	(39,623)
Total adjustments	(24,878)	(215,856)	55,287	(185,447)
Net cash provided by (used in) operating activities	\$ (5,268)	(215,856)	599,525	378,401

See accompanying independent auditors' report.



*Truman Home
219 N. Delaware*

*Vail Mansion, 1881
1500 N. Liberty
30 rooms, Victorian style*



World War I Memorial Building

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private- purpose trust fund		Agency funds		Total (Exhibit 8)
	Miscellaneous Expendable Trust	Total (Exhibit 8)	Flexible Benefit Plan	Susle Block Trust	
Assets					
Pooled cash and investments	\$ 51,209	51,209	46,646	22,867	69,513
Accrued interest receivable	—	—	—	495	495
Total assets	<u>\$ 51,209</u>	<u>51,209</u>	<u>46,646</u>	<u>23,362</u>	<u>70,008</u>
Liabilities					
Accounts and contracts payable	\$ 470	470	—	—	—
Liabilities payable from restricted assets:					
Funds held in escrow	—	—	—	23,362	23,362
Employee deferred credit	—	—	46,646	—	46,646
Total liabilities	<u>470</u>	<u>470</u>	<u>46,646</u>	<u>23,362</u>	<u>70,008</u>
Net Assets					
Held in trust	<u>\$ 50,739</u>	<u>50,739</u>			

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Miscellaneous Expendable Trust
 Year ended June 30, 2003

	Private- purpose trust fund (Exhibit 9)
Additions:	
Charges for services	\$ 17,211
Interest	760
Total additions	17,971
Deductions:	
Community development	19,054
Total deductions	19,054
Change in net assets	(1,083)
Net assets, beginning	51,822
Net assets, ending	\$ 50,739

See accompanying independent auditors' report.

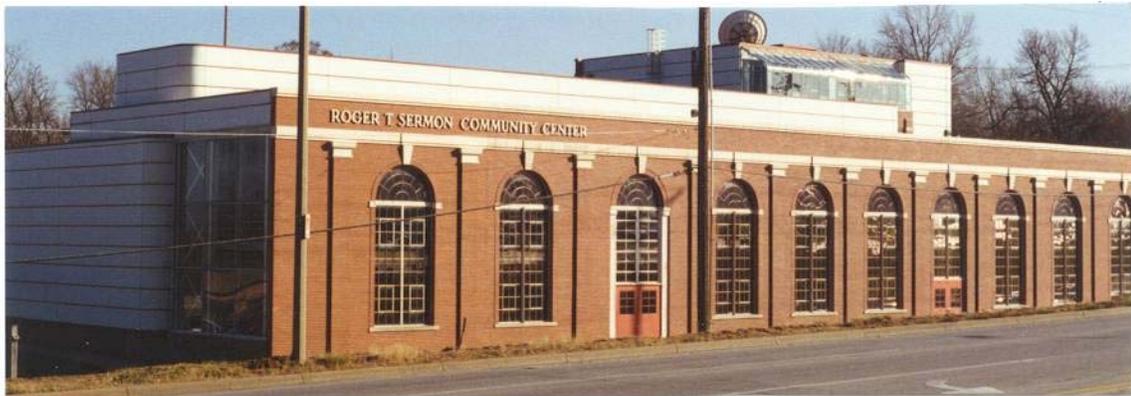
CITY OF INDEPENDENCE, MISSOURI
 Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year ended June 30, 2003

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003 (Exhibit 24)</u>
<u>Flexible Benefit Plan</u>				
Assets:				
Cash	\$ 24,299	33,090	10,743	46,646
Liabilities:				
Flexible benefit payable	\$ 18,033	222,539	200,192	40,380
Employee contributions	(7,811)	—	—	(7,811)
Forfeited amounts	14,077	—	—	14,077
	<u>\$ 24,299</u>	<u>222,539</u>	<u>200,192</u>	<u>46,646</u>
<u>Susie Block Trust</u>				
Assets:				
Cash	\$ 861	1,350	326	1,885
Investments	20,981	—	—	20,981
Accrued interest	496	1,325	1,325	496
	<u>\$ 22,338</u>	<u>2,675</u>	<u>1,651</u>	<u>23,362</u>
Liabilities:				
Escrow	\$ 22,338	1,350	326	23,362

See accompanying independent auditors' report.



Police Building, 223 N. Memorial Dr.



Roger T. Sermon Community Center, 201 N. Dodgion



City Hall, 111 E. Maple St.

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2003 and 2002

	2003			2002		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 6,846,747			4,641,210
Gas			889,819			981,916
Oil			187,109			116,399
Total production fuel			<u>7,923,675</u>			<u>5,739,525</u>
Purchased power:						
Purchased energy			14,968,146			14,389,443
Purchased capacity (net)			7,560,000			7,560,000
Border customers			27,510			25,930
Control and dispatching			670,409			678,182
Total purchased power			<u>23,226,065</u>			<u>22,653,555</u>
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 445,684	468,347	914,031	403,790	458,358	862,148
Steam	589,324	1,137,356	1,726,680	530,101	1,474,641	2,004,742
Electric	613,228	266,557	879,785	539,343	188,357	727,700
Structures and improvements	—	143,903	143,903	—	40,540	40,540
Miscellaneous	798,098	731,593	1,529,691	1,000,412	712,019	1,712,431
	<u>2,446,334</u>	<u>2,747,756</u>	<u>5,194,090</u>	<u>2,473,646</u>	<u>2,873,915</u>	<u>5,347,561</u>
Missouri City Station:						
Supervision and engineering	61,941	8,414	70,355	24,490	7,546	32,036
Steam	272,342	260,766	533,108	235,058	351,824	586,882
Electric	281,063	85,266	366,329	240,256	118,588	358,844
Structures and improvements	—	32,559	32,559	—	22,831	22,831
Miscellaneous	146,413	161,933	308,346	225,108	250,133	475,241
	<u>761,759</u>	<u>548,938</u>	<u>1,310,697</u>	<u>724,912</u>	<u>750,922</u>	<u>1,475,834</u>
Combustion Turbine Station:						
Supervision and engineering	—	792	792	—	64	64
Generation expenses	(12,022)	125,941	113,919	—	196,385	196,385
Structures and improvements	7,592	40,674	48,266	—	27,113	27,113
Miscellaneous	—	328,582	328,582	13,384	20,071	33,455
	<u>(4,430)</u>	<u>495,989</u>	<u>491,559</u>	<u>13,384</u>	<u>243,633</u>	<u>257,017</u>
Total production (other)	\$ <u>3,203,663</u>	<u>3,792,683</u>	<u>6,996,346</u>	<u>3,211,942</u>	<u>3,868,470</u>	<u>7,080,412</u>
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 138,367	13,448	151,815	138,972	13,626	152,598
Overhead expenses	12,256	—	12,256	3,925	2,650	6,575
Station expenses	20,975	255,307	276,282	20,211	249,463	269,674
Wheeling charges	6,909	—	6,909	6,613	—	6,613
Underground line expense	667	1,596	2,263	—	138	138
Structures and improvements	—	11	11	—	480	480
Miscellaneous	249	—	249	—	—	—
Total transmission	\$ <u>179,423</u>	<u>270,362</u>	<u>449,785</u>	<u>169,721</u>	<u>266,357</u>	<u>436,078</u>

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2003 and 2002

	2003			2002		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	\$ 80,124	40,386	120,510	89,838	40,888	130,726
Overhead lines	757,196	2,473,191	3,230,387	656,185	2,217,647	2,873,832
Station expenses	216,348	53,052	269,400	205,991	45,562	251,553
Street lights and traffic signals	227,432	435,974	663,406	128,432	397,259	525,691
Meters	159,600	458,135	617,735	144,401	342,103	486,504
Customer installations	77	—	77	262	—	262
Underground lines	648,826	487,830	1,136,656	397,572	233,547	631,119
Dispatching communication	585,510	—	585,510	574,386	—	574,386
Line transformers	—	138,752	138,752	—	84,957	84,957
Miscellaneous	402,369	157,079	559,448	475,788	100,450	576,238
Total distribution	<u>3,077,482</u>	<u>4,244,399</u>	<u>7,321,881</u>	<u>2,672,855</u>	<u>3,462,413</u>	<u>6,135,268</u>
Total transmission and distribution	\$ <u>3,256,905</u>	<u>4,514,761</u>	<u>7,771,666</u>	<u>2,842,576</u>	<u>3,728,770</u>	<u>6,571,346</u>
Customer service:						
Supervision			\$ 215,728			181,808
Meter reading			607,457			667,983
Customer records and collections			1,290,808			1,149,524
Provisions for doubtful accounts			519,065			553,477
Miscellaneous			161,279			131,096
Total customer service			<u>2,794,337</u>			<u>2,683,888</u>
General and administrative:						
Salaries			655,366			661,780
Office supplies			210,108			216,041
Insurance			737,812			520,481
Injuries and damage			470,156			498,359
Employee benefits			3,018,080			2,780,556
Outside services			1,398,987			1,204,436
Miscellaneous			771,714			794,199
Administrative expenses – transfers			(48,924)			(46,771)
Total general and administrative			<u>7,213,299</u>			<u>6,629,081</u>
Depreciation and amortization			7,892,484			7,222,573
Payroll taxes			774,754			784,511
Total operating expenses			\$ <u>64,592,626</u>			<u>59,364,891</u>

See accompanying independent auditors' report.



Rock Creek Treatment Plant - 2001

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Power and Light Fund
Year ended June 30, 2003

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
Sale of electric energy:				
Metered:				
Residential	49,279	49,562	\$ 40,731,134	511,032,061
Small general services	2,925	2,921	2,789,464	28,102,739
General services – space heating	2	2	1,393	25,896
Large general services	1,564	1,588	22,450,267	341,082,375
Large general services – prime voltage	11	13	1,152,111	19,635,304
Large general services – space heating	2	2	8,395	126,278
Total electric general services	54	58	2,736,706	47,806,754
Schools, churches, and hospitals	282	287	2,837,703	40,530,780
Schools, churches, and hospitals, all electric	6	6	148,996	2,583,738
Large power services	6	6	1,983,582	39,842,160
Interruptible services	1	—	—	42,000
Sewer pumping	6	6	273,645	3,954,016
City traffic signals	59	60	59,706	375,835
Wholesale (border customers)	—	—	101,821	4,940,894
Wholesale (interchange)	—	—	707,494	18,796,000
	<u>54,197</u>	<u>54,511</u>	<u>75,982,417</u>	<u>1,058,876,830</u>
Unmetered:				
Private security lighting	1,478	1,537	244,522	1,281,468
City public street lighting	11,081	11,090	821,093	8,772,282
	<u>12,559</u>	<u>12,627</u>	<u>1,065,615</u>	<u>10,053,750</u>
Decrease in unbilled revenue			(655,908)	(6,591,847)
Other operating revenue			884,523	—
Total operating revenue and total energy sales			<u>\$ 77,276,647</u>	<u>1,062,338,733</u>
Net generation				268,914,632
Wholesale power purchased				857,184,653
Unintentional interchange				(75,000)
Net generation and power purchased				<u>1,126,024,285</u>
Retail energy sales				1,038,601,839
Wholesale (border customers) sales				23,736,894
Power and light usage (building and substations)				<u>1,503,000</u>
Net disposition				<u>1,063,841,733</u>
Transmission and distribution operating losses				<u>62,182,552</u>

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2003 and 2002

	2003			2002		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 19,763	—	19,763	19,269	—	19,269
Labor and expenses	270,458	—	270,458	215,899	—	215,899
Structures and improvements	—	30,332	30,332	—	29,374	29,374
Miscellaneous	—	318,285	318,285	—	283,980	283,980
Total source of supply	<u>290,221</u>	<u>348,617</u>	<u>638,838</u>	<u>235,168</u>	<u>313,354</u>	<u>548,522</u>
Power and pumping:						
Supervision and engineering	29,830	24,341	54,171	29,649	12,412	42,061
Fuel/power purchased	1,113,424	—	1,113,424	1,030,094	—	1,030,094
Labor and expenses	164,479	—	164,479	158,802	—	158,802
Structures and improvements	—	13,885	13,885	—	10,802	10,802
Miscellaneous	—	37,190	37,190	—	23,609	23,609
Total power and pumping	<u>1,307,733</u>	<u>75,416</u>	<u>1,383,149</u>	<u>1,218,545</u>	<u>46,823</u>	<u>1,265,368</u>
Water treatment:						
Supervision and engineering	34,600	15,269	49,869	34,200	15,118	49,318
Chemicals	812,493	—	812,493	685,597	—	685,597
Labor and expenses	543,811	—	543,811	537,955	—	537,955
Structures and improvements	—	6,467	6,467	—	16,879	16,879
Miscellaneous	—	332,478	332,478	—	373,576	373,576
Total water treatment	<u>1,390,904</u>	<u>354,214</u>	<u>1,745,118</u>	<u>1,257,752</u>	<u>405,573</u>	<u>1,663,325</u>
Total production	<u>\$ 2,988,858</u>	<u>778,247</u>	<u>3,767,105</u>	<u>2,711,465</u>	<u>765,750</u>	<u>3,477,215</u>
Transmission and distribution:						
Supervision and engineering	\$ 48,476	102,183	150,659	49,207	101,272	150,479
Storage facilities	13,693	215,051	228,744	13,917	85,545	99,462
Transmission and distribution lines	474,427	572,911	1,047,338	404,676	581,882	986,558
Meters	172,431	138,488	310,919	164,694	168,161	332,855
Customer installations	60,672	—	60,672	54,541	—	54,541
Services	—	312,182	312,182	—	294,166	294,166
Hydrants	—	43,135	43,135	—	67,262	67,262
Miscellaneous	363,706	111,801	475,507	365,768	117,895	483,663
Total transmission and distribution	<u>\$ 1,133,405</u>	<u>1,495,751</u>	<u>2,629,156</u>	<u>1,052,803</u>	<u>1,416,183</u>	<u>2,468,986</u>

(Continued)

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2003 and 2002

	2003			2002		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Customer service:						
Customer accounting paid and collecting:						
Supervision		\$ 141,886				134,037
Meter reading		691,723				642,957
Customer records		(16,108)				99,927
Provision for uncollectible amounts		48,723				53,592
Total customer accounting paid and collecting		866,224				930,513
Sales promotion:						
Expenses		106,435				81,262
Total customer service		972,659				1,011,775
General and administrative:						
Salaries		450,527				462,976
Office supplies and expense		328,144				276,347
Injuries and damages		258,189				190,794
Employee benefits		1,146,109				1,050,834
Outside services		833,662				867,455
Miscellaneous		103,735				112,102
Total general and administrative		3,120,366				2,960,508
Depreciation and amortization		1,863,011				1,798,448
Payroll taxes		298,957				281,138
Other		73,535				89,706
Total operating expenses		12,724,789				12,087,776
Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets		1,062,790				868,595
		\$ 13,787,579				12,956,371

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Operating Statistics – Water Fund
 Year ended June 30, 2003

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	43,194	43,606	\$ 8,046,353	3,423,739
Commercial	2,831	2,883	2,185,099	1,012,654
Industrial	7	7	324,228	293,440
Public authority	57	57	169,383	87,533
Resale	13	13	4,302,002	4,259,744
Private fire protection	292	307	46,624	—
Public fire protection	—	—	588,636	—
	<u>46,394</u>	<u>46,873</u>	<u>15,662,325</u>	<u>9,077,110</u>
Increase in unbilled revenue			53,959	
Other operating revenue			<u>221,551</u>	
Total operating revenue			<u>\$ 15,937,835</u>	
Thousands of gallons pumped:				
Courtney Bend Plant			10,456,931	
Less total sales			<u>9,077,110</u>	
Unaccounted for water			<u>1,379,821</u>	

* Thousand gallons sold.

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2003

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
Sale of sanitary sewer services:				
Residential	39,381	39,751	\$ 8,144,267	2,962,129
Commercial:				
Base	3,475	3,493	3,172,998	1,747,531
Surcharge	—	—	768,125	—
Contract waste treatment	22	20	144,178	—
Intermunicipal agreements:				
Sugar Creek	—	—	328,812	—
Kansas City	—	—	65,311	—
Lee's Summit	—	—	3,998	—
	<u>42,878</u>	<u>43,264</u>	<u>12,627,689</u>	<u>4,709,660</u>
Other operating revenue			101,388	
Increase in unbilled revenue			24,869	
Total operating revenue			<u>\$ 12,753,946</u>	

* Hundred cubic feet.

See accompanying independent auditors' report.

STATISTICAL DATA

The statistical data “relates to the physical, economic, social, and political characteristics of the City.” Its design is to provide “a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedule presentation in the Financial Section.”

Table 1

<p style="text-align: center;">City of Independence, Missouri General Governmental Expenditures by Function</p>										
	<i>Total (a)</i>	<i>General Government</i>	<i>Public Safety</i>	<i>Public Works/ Storm Water</i>	<i>Health & Welfare</i>	<i>Culture & Recreation</i>	<i>Community Development</i>	<i>Capital Outlay</i>	<i>Non-Departmental/ Other</i>	<i>Debt Service</i>
1994	\$41,173,726	\$4,715,130	\$22,505,090	\$4,140,247	\$1,068,079	\$1,517,978	\$1,110,984	\$1,113,131	\$3,196,325	\$1,806,762
1995	46,590,172	6,202,999	24,274,529	4,750,098	883,014	1,642,344	960,911	2,895,795	4,379,293	601,189
1996	47,963,641	5,135,501	24,002,906	5,532,316	991,262	1,683,247	1,379,783	4,862,856	3,559,991	815,779
1997	49,172,040	5,119,322	23,312,495	5,346,312	948,268	1,762,330	2,847,386	4,553,924	3,821,673	1,460,330
1998	53,522,757	5,354,047	24,506,016	5,374,067	1,089,234	2,008,489	3,667,406	5,983,773	4,106,742	1,432,983
1999	66,380,643	5,628,079	28,603,191	6,847,093	1,214,950	2,480,903	1,500,797	13,257,853	5,094,621	1,753,156
2000	79,366,650	6,021,065	30,360,187	5,976,941	1,175,739	3,465,943	1,365,055	22,365,404	4,201,337	4,434,979
2001	90,042,052	6,343,908	29,136,004	6,867,407	1,292,388	4,017,361	3,998,820	28,716,658	4,750,611	4,918,895
2002	98,020,507	6,477,775	31,290,454	7,042,825	2,193,035	2,973,715	3,515,626	29,255,681	10,794,758	4,476,638
2003	\$83,337,998	\$6,542,594	\$32,088,292	\$7,242,208	\$2,300,201	\$3,552,903	\$3,242,153	\$17,123,501	\$6,147,462	\$5,098,684
<p><i>a) Represents General Fund, Special Revenue Funds and Capital Project Funds. Excludes operating transfers.</i></p>										

Table 2

City of Independence, Missouri
General Governmental Revenue by Source

	<i>Total (a)</i>	<i>Taxes & In Lieu of Taxes (b)</i>	<i>License & Permits</i>	<i>Intergovernmental</i>	<i>Charges for Services</i>	<i>Intragovernmental (c)</i>	<i>Fines & Forfeitures</i>	<i>Interest</i>	<i>Other (d)</i>
1994	\$42,609,228	\$28,313,660	\$1,757,212	\$6,229,787	\$478,138	\$2,622,480	\$2,193,204	\$112,576	\$902,171
1995	43,095,895	28,731,356	1,728,067	6,659,204	610,041	2,686,712	1,682,239	339,946	658,330
1996	46,918,647	31,417,798	1,891,026	7,700,165	494,402	2,828,007	1,602,145	543,743	441,361
1997	48,977,851	33,392,131	2,299,681	6,937,808	569,820	2,895,953	1,903,081	499,416	479,961
1998	55,171,738	36,672,503	2,325,055	9,260,166	638,955	2,749,077	2,409,688	603,952	512,342
1999	60,902,834	40,251,255	2,476,897	10,913,472	796,030	3,070,849	2,666,064	425,256	303,011
2000	72,149,590	46,629,545	2,928,678	13,815,850	1,359,698	2,889,644	2,997,092	844,469	684,614
2001	77,030,405	53,226,616	3,532,316	10,643,440	1,682,455	2,757,884	3,010,798	1,570,953	605,943
2002	84,240,680	54,521,441	3,957,533	16,012,619	1,494,189	2,791,637	3,199,906	757,872	1,505,483
2003	\$79,483,053	\$56,496,560	\$4,315,628	\$9,902,274	\$1,519,823	\$2,704,534	\$3,502,074	\$381,438	\$660,722

a) Represents General Fund , Special Revenue Funds and Capital Project Funds. Excludes other financing sources (uses).

b) General Property Taxes, Sales Tax and Other Local Taxes.

c) Interfund Charges for Support Services.

d) Includes revenue from Sale of Property and revenue not included in other categories.

City of Independence, Missouri
General Governmental Tax Revenues by Source

	<i>Total</i>	<i>Real Estate Tax</i>	<i>Railroad Utilities Tax</i>	<i>Cigarette Tax</i>	<i>Transient Guest Tax</i>	<i>Sales Tax</i>	<i>Franchise Tax</i>	<i>In Lieu of Taxes</i>
1994	\$28,313,660	\$4,418,830	\$54,499	\$464,768	\$306,080	\$10,988,876	\$5,198,062	\$6,882,545
1995	28,731,356	4,449,012	54,444	489,210	327,070	11,824,936	4,458,123	7,128,561
1996	31,417,798	4,974,581	56,733	513,102	366,246	12,497,734	5,525,140	7,484,262
1997	33,392,131	6,063,867	60,981	472,758	396,654	12,609,492	6,246,845	7,541,534
1998	36,672,503	6,388,695	55,405	600,206	419,719	15,500,936	5,711,768	7,995,774
1999	40,251,255	6,747,561	39,291	579,968	424,286	18,479,114	5,662,192	8,318,843
2000	46,629,545	7,157,444	38,824	634,169	432,564	24,240,691	5,695,790	8,430,063
2001	53,226,616	7,639,179	39,169	595,259	443,670	27,997,519	7,004,453	9,507,367
2002	54,521,441	7,251,844	45,912	594,665	471,450	30,800,658	6,545,093	8,811,819
2003	\$56,496,560	\$8,155,080	\$45,144	\$583,785	\$680,605	\$30,926,979	\$6,718,262	\$9,386,705

Includes General, Special Revenue and TIF Funds.

Table 3

City of Independence, Missouri
General Fund, Public Health & Recreation, Debt Service
Property Tax Levies and Collections

<i>Year Ended June 30</i>	<i>Net Current Tax Levy</i>	<i>Current Tax Collections</i>	<i>Percent of Levy Collected</i>	<i>Delinquent Tax Collections</i>	<i>Total Tax Collections</i>	<i>Total Collections as Percent of Net Current Tax Levy</i>	<i>Outstanding Delinquent Taxes</i>	<i>Outstanding Delinquent Taxes as Percent of Net Current Tax Levy</i>
1993	\$4,302,151	\$4,083,837	94.93%	\$262,809	\$4,346,646	101.03%	\$487,022	11.32%
1994	4,389,816	4,137,260	94.25%	226,048	4,363,308	99.40%	419,170	9.55%
1995	4,388,141	4,233,148	96.47%	303,406	4,536,554	103.38%	270,757	6.17%
1996	4,539,910	4,203,803	92.60%	169,654	4,373,457	96.33%	437,210	9.63%
1997	4,724,273	4,460,502	94.42%	334,135	4,794,637	101.49%	366,846	7.77%
1998	4,984,727	4,644,002	93.16%	262,947	4,906,949	98.44%	444,624	8.92%
1999	5,034,573	4,856,639	96.47%	324,883	5,181,522	102.92%	297,675	5.91%
2000	5,385,674	5,135,996	95.36%	137,639	5,273,635	97.92%	409,714	7.61%
2001	5,599,902	5,253,285	93.81%	210,090	5,463,375	97.56%	546,241	9.75%
2002	5,849,190	5,591,015	95.59%	255,980	5,846,995	99.96%	548,436	9.38%
2003	\$5,965,249	\$5,634,547	94.46%	\$286,397	\$5,920,944	99.26%	\$592,741	9.94%

Table 4

<p style="text-align: center;">City of Independence, Missouri</p> <p style="text-align: center;">Assessed and Estimated Actual Values of Taxable Property</p>						
<i>As of January 1,</i>	<i>Real Property</i>	<i>Personal Property</i>	<i>Railroad & Utilities</i>	<i>Total Assessed Value</i>	<i>Total Fair Market Value</i>	<i>Percentage of Fair Market Value</i>
1994	\$577,338,830	\$167,228,728	\$12,043,452	\$756,611,010	\$3,140,795,489	28.67%
1995	607,752,380	189,899,506	12,836,118	810,488,004	3,356,232,605	29.09%
1996	613,435,010	203,408,373	13,270,911	830,114,294	3,421,971,510	29.53%
1997	656,083,710	217,040,179	12,224,657	885,348,546	3,668,020,926	29.35%
1998	663,252,770	220,203,155	9,949,439	893,405,364	3,689,437,915	29.50%
1999	729,733,570	230,747,110	4,617,427	965,098,107	4,096,490,672	23.56%
2000	742,563,735	230,747,110	4,617,427	977,928,272	4,240,368,802	23.06%
2001	796,406,449	240,711,303	5,668,715	1,042,786,467	4,489,104,191	23.23%
2002	816,800,367	252,906,062	5,471,811	1,075,178,240	4,614,774,987	23.30%
2003	\$925,425,811	\$242,118,750	\$4,947,308	\$1,172,491,869	\$5,096,281,412	23.01%

Note: Assessed value is set at 12% for agricultural property, 19% for residential property, and 32% for commercial property of the estimated fair market value.

Table 5

City of Independence, Missouri																												
Property Tax Rates - All Direct and Overlapping Governments																												
<i>For Assessed Valuations as of January 1,</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>																		
CITY TAX RATES: (1)																												
General	\$0.520	\$0.520	\$0.530	\$0.520	\$0.520	\$0.510	\$0.510	\$0.510	\$0.510	\$0.471																		
Public Health & Recreation	0.230	0.230	0.240	0.240	0.240	0.240	0.240	0.240	0.240	0.222																		
Debt Service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000																		
Total City Tax Rate	0.750	0.750	0.770	0.760	0.760	0.750	0.750	0.750	0.750	0.693																		
METROPOLITAN JUNIOR COLLEGE		0.220	0.220	0.220	0.220	0.330	0.230	0.230	0.230	0.230																		
INDEPENDENCE SCHOOL DISTRICT (3)	3.300	3.350	3.990	4.040	4.290	4.290	4.460	4.460	4.990	5.190																		
COUNTY TAX RATES: (2)																												
County	0.500	0.510	0.500	0.530	0.530	0.550	0.560	0.560	0.570	0.570																		
Mid-Continent Public Library	0.310	0.330	0.330	0.330	0.330	0.330	0.330	0.330	0.330	0.330																		
Handicap	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080																		
Mental Health	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133																		
Total County Tax Rate	1.023	1.053	1.043	1.073	1.073	1.093	1.103	1.103	1.113	1.113																		
STATE:	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030																		
Total Tax Rate For All Overlapping Governments	\$5.103	\$5.403	\$6.053	\$6.123	\$6.373	\$6.493	\$6.573	\$6.573	\$7.113	\$7.256																		
<p>(1) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$.40 per \$100 assessed valuation. There is no limit on the levy rates for General Debt and Interest.</p> <p>(2) County Tax Breakdown for current year.</p> <table style="margin-left: 20px;"> <tr> <td>Health & Welfare Fund</td> <td>\$0.16</td> </tr> <tr> <td>General Fund</td> <td>\$0.18</td> </tr> <tr> <td>Road & Bridge Fund</td> <td>\$0.14</td> </tr> <tr> <td>Park Fund</td> <td><u>\$0.09</u></td> </tr> <tr> <td></td> <td><u>\$0.57</u></td> </tr> </table> <p>(3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for the current year in these districts are:</p> <table style="margin-left: 20px;"> <tr> <td>Fort Osage Reorganized #1</td> <td>\$4.35</td> <td>Blue Springs Reorganized #4</td> <td>\$5.39</td> </tr> <tr> <td>Kansas City School District</td> <td>\$4.95</td> <td></td> <td></td> </tr> </table> <p>NOTE 1): Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.</p> <p>NOTE 2): Commercial real property is also assessed an additional "replacement tax" of \$1.437 per \$100 assessed value.</p>											Health & Welfare Fund	\$0.16	General Fund	\$0.18	Road & Bridge Fund	\$0.14	Park Fund	<u>\$0.09</u>		<u>\$0.57</u>	Fort Osage Reorganized #1	\$4.35	Blue Springs Reorganized #4	\$5.39	Kansas City School District	\$4.95		
Health & Welfare Fund	\$0.16																											
General Fund	\$0.18																											
Road & Bridge Fund	\$0.14																											
Park Fund	<u>\$0.09</u>																											
	<u>\$0.57</u>																											
Fort Osage Reorganized #1	\$4.35	Blue Springs Reorganized #4	\$5.39																									
Kansas City School District	\$4.95																											

Table 6

City of Independence, Missouri
Special Assessment Collections

<i>Year Ended June 30,</i>	<i>Special Assessment Billings</i>	<i>Assessments Collected (1)</i>	<i>Total Outstanding Assessments</i>
1994	\$45,734	\$101,058	\$780,442
1995	74,248	133,882	720,808
1996	139,575	120,018	740,365
1997	66,214	33,101	773,478
1998	145,958	278,298	641,138
1999	349,400	179,739	810,799
2000	550,231	134,440	1,226,590
2001	740,996	140,314	1,827,272
2002	349,750	284,832	1,892,190
2003	\$202,411	\$510,770	(2) \$1,583,831

(1) Includes collection of current, delinquent and deferred special assessments.

(2) Includes \$18,583 held in escrow.

Table 7

City of Independence, Missouri
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita

<i>Year Ended June 30,</i>	<i>Estimated Population</i>	<i>Assessed Value</i>	<i>General Obligation Bonded Debt</i>	<i>Less Debt Service Funds</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt Per Capita</i>
1994	113,802	\$756,611,010	—	—	—	—	—
1995	113,761	810,488,004	—	—	—	—	—
1996	114,931	830,079,209	—	—	—	—	—
1997	115,531	885,348,546	—	—	—	—	—
1998	115,851	893,405,364	—	—	—	—	—
1999	116,155	965,098,107	—	—	—	—	—
2000	116,867	977,928,272	—	—	—	—	—
2001	113,288	1,042,786,467	—	—	—	—	—
2002	113,288	1,075,178,240	—	—	—	—	—
2003	114,345	\$1,172,491,869	—	—	—	—	—

Table 8

City of Independence, Missouri Computation of Legal Debt Margin June 30, 2003		
Assessed Value at January 1, 2002: *		
Jackson County		\$1,172,487,929
Clay County		<u>3,940</u>
		<u>\$1,172,491,869</u>
Constitutional Debt Limit ** (20% of Assessed Value)		\$234,498,374
Total Bonded Debt		\$53,826,179
Less:		
Water Utility Bonds	\$32,195,000	
Electric Utility Bonds	<u>21,631,179</u>	
		<u>53,826,179</u>
Total General Obligation Debt		—
Less: Debt Service Fund Balance		<u>—</u>
Applicable Debt Limit		<u>—</u>
Legal Debt Margin		<u>\$234,498,374</u>
<p>* All Tangible Property.</p> <p>** Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.</p> <p>Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.</p> <p>Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer system and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.</p>		

Table 9

City of Independence, Missouri
Computation of Direct and Overlapping Debt
June 30, 2003

<i>Jurisdiction</i>	<i>General Obligation Bond Issues Outstanding</i>	<i>Amount Available Debt Service Funds</i>	<i>Net Debt Outstanding</i>	<i>Percentage Applicable to City of Independence</i>	<i>Amount Applicable to City of Independence</i>
City of Independence	---	---	---	---	---
Jackson County	-	-	-	0.0%	-
Jackson County School Districts:					
Metropolitan Junior College	\$ 75,449,000	\$ -	\$ 75,449,000	7.00%	\$ 5,281,430
Independence	\$ 85,165,000	\$ -	\$ 85,165,000	100.00%	\$ 85,165,000
Kansas City	\$ 171,560,000	\$ -	\$ 171,560,000	6.00%	\$ 10,293,600
Raytown	\$ 69,940,000	\$ -	\$ 69,940,000	6.00%	\$ 4,196,400
Blue Springs Reorganized #4	\$ 72,725,000	\$ 6,608,641	\$ 66,116,359	21.75%	\$ 14,380,308
Fort Osage Reorganized #1	\$ 24,784,673	\$ -	\$ 24,784,673	12.50%	\$ 3,098,084
	\$499,623,673	\$6,608,641	\$493,015,032		\$122,414,822

Table 10

City of Independence, Missouri
Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Governmental Expenditures

	<i>Year Ended June 30</i>									
	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Bond Retirements:										
23 Street Right-of-Way										
1968 Street										
1969 Street										
1974 Street	\$1,055,000	—	—	—	—	—	—	—	—	—
1968 Fire										
1969 Fire										
1974 Fire	35,000									
1968 Sewer										
1969 Sewer										
1972 Police Bldg.	—	—	—	—	—	—	—	—	—	—
Total Bond Requirements	\$1,090,000	\$0								
Interest and Agent Fees	\$55,445	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$1,145,445	\$0								
Total General Governmental Expenditures (a)	\$41,173,726	\$46,590,172	\$47,963,641	\$49,172,040	\$53,522,757	\$66,380,643	\$79,366,650	\$90,042,052	\$98,020,507	\$83,337,998
Ratio of Debt Service to General Governmental Expenditures	2.78%	0.00%								
<i>(a) Represents General Fund, Special Revenue Funds, and Capital Projects Funds</i>										

Table 11

City of Independence, Missouri
Revenue Bond Coverage - Power & Light Revenue Bonds

<i>Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Current Expenses (1)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1994	\$58,624,361	\$40,787,834	\$17,836,527	\$895,000	\$2,364,893	\$3,259,893	5.47
1995	58,748,836	41,427,298	17,321,538	920,000	2,341,335	3,261,335	5.31
1996	62,980,774	43,122,409	19,858,365	980,000	2,271,559	3,251,559	6.11
1997	61,774,504	41,624,569	20,149,935	1,045,000	2,208,240	3,253,240	6.19
1998	67,552,096	44,766,098	22,785,998	1,115,000	2,134,615	3,249,615	7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	3,095,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	2,919,760	6.84
2001	81,965,004	57,618,481	24,346,523	1,595,000	1,308,835	2,903,835	8.38
2002	73,930,488	52,142,313	21,788,175	1,675,000	1,243,860	2,918,860	7.46
2003	\$77,932,974	\$56,701,449	\$21,231,525	\$1,740,000	\$1,164,512	\$2,904,512	7.31

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes.

Table 12

<p style="text-align: center;">City of Independence, Missouri</p> <p style="text-align: center;">Revenue Bond Coverage - Water Revenue Bonds</p>							
<p><i>Year Ended June 30,</i></p>	<p><i>Gross Revenue</i></p>	<p><i>Current Expenses (1)</i></p>	<p><i>Net Revenue Available For Debt Service</i></p>	<p><i>Debt Service Requirements</i></p>			<p><i>Coverage</i></p>
				<p><i>Principal</i></p>	<p><i>Interest (2)</i></p>	<p><i>Total</i></p>	
1994	\$13,615,001	\$7,213,855	\$6,401,146	\$600,000	\$1,145,287	\$1,745,287	3.67
1995	14,678,604	7,693,996	6,984,608	650,000	1,656,007	2,306,007	3.03
1996	15,798,683	9,629,563	6,169,120	700,000	1,590,965	2,290,965	2.69
1997	15,342,158	8,547,276	6,794,882	750,000	1,557,884	2,307,884	2.94
1998	15,814,097	8,162,749	7,651,348	800,000	1,555,705	2,355,705	3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2,410,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2,446,133	2.86
2001	16,267,295	10,018,126	6,249,169	900,000	1,561,920	2,461,920	2.54
2002	16,068,944	10,199,624	5,869,320	985,000	1,527,809	2,512,809	2.34
2003	\$16,348,365	\$10,788,334	\$5,560,031	\$1,070,000	\$1,489,510	\$2,559,510	2.17

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes
(2) Excludes \$6,050,000 reduction of debt due to remarketing.

Table 13

City of Independence, Missouri
Revenue Bond Coverage - Sanitary Sewer Revenue Bonds

<i>Year Ended June 30,</i>	<i>Gross Revenue</i>	<i>Current Expenses (1)</i>	<i>Net Revenue Available For Debt Service</i>	<i>Debt Service Requirements</i>			<i>Coverage</i>
				<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
1994	\$7,634,369	\$7,987,449	(\$353,080)	—	—	—	—
1995	8,318,756	6,814,676	1,504,080	—	—	—	—
1996	10,030,225	7,406,757	2,623,468	—	—	—	—
1997	11,949,809	7,924,753	4,025,056	—	—	—	—
1998	12,397,234	7,699,724	4,697,510	—	—	—	—
1999	13,208,379	8,504,860	4,703,519	—	—	—	—
2000	13,463,695	8,477,466	4,986,229	—	—	—	—
2001	13,852,358	8,893,489	4,958,869	—	—	—	—
2002	13,100,624	8,900,009	4,200,615	—	—	—	—
2003	\$12,946,774	\$9,453,484	\$3,493,290	—	—	—	—

(1) Excludes Depreciation, Interest Expense, Amortization, Non-Operating Expense and Payments in Lieu of Taxes.

Table 14

City of Independence, Missouri

Demographic Statistics

<i>Year Ended June 30,</i>	<i>Population (1)</i>	<i>Median Household Income (2)</i>	<i>Median Age (2)</i>	<i>School Enrollment</i>	<i>Unem- ployment Rate (2)</i>
1994	113,802	\$28,306	35.6	15,464	4.50%
1995	113,761	30,369	34.5	16,286	4.20%
1996	114,931	31,395	34.9	15,821	4.20%
1997	115,531	32,970	35.2	15,667	3.30%
1998	115,851	34,544	35	16,746	3.70%
1999	116,115	32,776	35	16,361	2.90%
2000	116,867	32,776	35	16,361	3.10%
2001	113,288	40,462	36	15,302	4.20%
2002	113,288	53,960	38	15,987	5.70%
2003	114,345	\$52,921	38	16,334	5.20%

Sources:

(1) Statistics provided by City of Independence Community Development Department.

(2) Mid-America Regional Council & Claritas, Inc.

Table 15

City of Independence, Missouri

Construction Permits

Year Ended Dec 31,	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>	
	Number of Permits	Value	Number of Permits	Value
1993	344	\$20,983,812	347	\$32,023,555
1994	335	36,501,212	322	30,979,437
1995	263	\$21,953,940	324	34,898,729
1996	368	41,951,212	780	32,781,341
1997	290	46,214,864	732	41,552,561
1998	370	36,386,117	751	47,477,592
1999	282	72,399,536	616	40,362,632
2000	219	61,394,644	647	43,799,753
2001	158	47,467,165	596	39,941,328
2002	204	\$78,904,822	744	\$51,015,505

1) Source: City of Independence Community Development Department - Calendar year basis.

Table 16

City of Independence, Missouri

Principal Property Taxpayers

June 30, 2003

<i>Taxpayer</i>	<i>Type of Business</i>	<i>2002 Assessed Valuation (1)</i>	<i>Percent of Total Assessed Valuation</i>
Simon Property Group LP	Retail	\$17,060,551	1.46 %
Community Center Two, LLC	Retail	9,286,793	0.79
Space Center of Kansas City	Warehouse	8,947,900	0.76
Southwestern Bell	Communications	7,747,044	0.66
Southern Union Railroad	Utility	5,325,344	0.45
Bradley Operating LTD PTP	Retail	5,104,000	0.44
Noland Fashion Square	Retail	5,094,412	0.43
Independence Regional Health	Hospital	4,996,788	0.43
Comcast Cablevision of MO Inc	Communications	3,691,837	0.31
Independence Apartments	Housing	3,675,082	0.31
Subtotal		\$70,929,751	6.05
Taxpayers not listed		1,101,562,118	93.95
TOTAL		\$1,172,491,869	100.00 %

1) Listed values are real estate assessed values, which provide the basis for property tax revenue.

Table 17

City of Independence, Missouri

Miscellaneous Statistical Data

June 30, 2003

Governmental Structure

Date of Organization:	1827	Current Statistics:	
Date of Incorporation:	1849	Population	114,345
Charter Adopted:	December 5, 1961	Households	47,390
Form of Government:	Council/Manager	Registered Voters	69,144
Current Number of Employees	1,179		

City Facilities and Services

Utilities:

Electric Power

Number of power stations	5
Number of customers	54,511
Daily average use (Mwh)	3,020
Maximum daily use (Mwh)	5,401
Peak Hourly Use (MW)	294.0
Miles of T&D Circuits	794.0

Sanitary Sewer System

Miles of sewer mains	565
Number of customers	43,264
Number of treatment plants	1
Daily average treatment (in MGD)	7.8
Maximum daily capacity of treatment (in MGD)	18.0

Water System

Miles of water mains	697
Number of customers	46,873
Number of fire hydrants	4,061
Daily average consumption (in millions of gallons)	25
Maximum daily pumpage (in millions of gallons)	42

Fire Protection:

Stations	10
Employees	174
Vehicles	40

Police Protection:

Stations	3
Employees	280
Vehicles	124

Streets:

Total area (sq. mi.)	78
Paved miles	535

Recreation:

Parks:	
Acreage	721
Number	40
Community Centers	2
Fitness Centers	1
Ball Fields	53

Nongovernmental Services and Facilities

Education:

Elementary and High School Enrollment	16,334
Elementary schools	21
Junior High (Middle) Schools	5
High Schools	4
Pre-school and Kindergartens	17
Parochial and Private	13
Teachers	1,130
Administrators	89
Colleges	5

Hotels/Motels

No. of Rooms	13,328
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Transportation:

Bus systems (operated by KCATA)	1
Taxi services	3

Communications: (served by)

Daily Newspapers	2
Radio Stations	37
TV Stations	15

Hospitals

Number	2
Bed space	549

Bank/Credit Union Facilities

36

City of Independence, Missouri					
Schedule of Insurance					
June 30, 2003					
<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
1. Hartford Steam Boiler Zurich American Liberty International a) All risk property insurance on building and contents. Replacement cost coverage basis.	STA410102 PBM2994187-01 CH10001401012	6/30/2003 6/30/2003 6/30/2003	All risk including property damage, flood, earthquake, transit, expediting, hazardous material cleanup, extra expense and automatic coverage.	\$200,000,000	\$278,050 \$111,841 \$89,473
2. Hartford Steam Boiler Zurich American Liberty International b) Boiler and Machinery coverage of listed equipment. Most covered items fall under Power and Light Department.	STA410102 PBM2994187-01 CH10001401012	6/30/2003 6/30/2003 6/30/2003	Boiler & Machinery coverage including expediting, ammonia containment, water damage, hazardous materials, business interruption.	\$75,000,000	\$138,950 \$63,159 50,528
3. Missouri Public Entity Management Fund. Liability insurance coverage for law enforcement liability, general liability, public official errors and omissions liability and automotive liability.	1038	12/31/2003	Automobile liability claims Law enforcement liability claims General liability claims Public officials liability claims	\$2,000,000 per occurrence	\$312,984
SIRPRO - Kemper Excess Liability	NUAB160408-00	12/31/2003	Coverage for claims not covered by Missouri's Sovereign Immunity Statute		\$125,000
4. Midwest Employers Casualty Excess Worker's Compensation and Employer's Liability Insurance	415-99-19	4/25/2004	Loss by on-the-job injury of employees	Statutory	\$146,228
5. Western Surety Company	69137880	6/15/2004	Public Officials Bonds	\$50,000-City Mgr. \$50,000-Pur. Agnt. \$400,000-Fin. Dir.	\$1,864 (3 year premium)

(Continued)

City of Independence, Missouri					
Schedule of Insurance					
June 30, 2003					
<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
6. Hartford Insurance Co.	37BPEAT836	6/15/2004	Public employees blanket bond & 3-D crime policy	\$500,000	\$7,863 (3 year premium)
7. Monumental Life	ML1004337	6/30/2003	Reinsurance for Staywell Plan Specific stop-loss @ \$150,000 Aggr. Att. Point @ \$12,763,081	See risk covered	\$273,650
8. Nation's Bank		Continuous	Escrow Account-Worker's Compensation	\$225,000	\$350
9. Hartford Life Insurance	907872	8/31/2003	Life insurance coverage for each employee. Also covers for accidental death, disability and dismemberment.	\$150,000/person	\$.295/\$1,000 of annual salary
10. Staywell Health Care Plan		Continuous	Self-Insured Health Care Plan	Various limits	Cost varies per emp.
11. National Flood Insurance Program	FL2-0347-59221	12/22/2003	Flood Insurance coverage for Rock Creek Pumping Station	\$354,606	\$3,109
12. Coventry HMO		Continuous	Health plan for enrolled employees.	Various limits	Cost varies per emp.
13. Delta Dental of Missouri		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
14. United Dental Care		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
15. Hartford Life Insurance Co.	GLT-32710	8/31/2003	Long term disability insurance.	60% of individual employees' salary	\$0.137/100 of annual salary